

**The Political and Economic Relations of
the People's Republic of China (PRC) and
the Kingdom of Saudi Arabia (KSA), 1949-2010**

Submitted by

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ABSTRACT

The main concern of this thesis is the development of political and economic relations between the PRC and the KSA. The relations that officially developed after the establishment of diplomatic relations are the focus of analysis of the thesis. By examining the historical and statistical data, the thesis assesses the factors that have cultivated and maintained the Sino-Saudi political and economic relations, as well as the implications of these bilateral links. In analysing the relations, a theoretical conception of complex interdependence has been used.

The thesis first provides background on China's policy towards the superpowers and the Middle Eastern countries between 1949 and 1989, and looks at how China and Saudi Arabia related to each other over this period. The thesis then argues that over the first decade (1990-2000) of Sino-Saudi diplomatic relations, the two countries began to lay the basis for complex interdependence between them. It highlights a number of characteristics of complex interdependence which came to exist. The thesis then goes on to examine whether, in the second decade (2001-2010) of bilateral relations, an intensification of complex interdependence ensued.

The complex interdependence approach links closely with constructivist theory in terms of how this thesis is conceived. The thesis argues that China and Saudi Arabia between 1949 and 1977 shared an understanding that their ideological positions made official links between them impossible. Over the course of the following twelve years, this understanding gradually changed. The change laid the basis for the development of diplomatic relations in 1990. In the years between 1990 and 2010, the policy responses of China and Saudi Arabia to major regional events exhibited a commonality of perception. This underpinned the development of the relationship.

To identify clearly the growth of Sino-Saudi relations, the thesis is divided into three time periods: 1949-89; 1990-2000; and 2001-10. The time period 1949-89 has three distinct phases: 1949-65; 1966-77; and 1978-89. The 1949-65 and 1966-97 periods are characterised by the absence of state-to-state relations between the PRC and the KSA.

However, unofficial contact between Muslims on mainland China and Saudi officials and leaders was established and largely maintained. State-to-state contact only existed between the KSA and ROC governments, which shared broadly anti-Communist sentiments. During the 1978-89 phase, hope for the establishment of diplomatic relations between the PRC and the KSA was high. Some intergovernmental contact was initiated, direct communications between the leaders of the two countries were enhanced, and a joint endeavour towards the development of diplomatic ties was pursued. The 1988 missile deal smoothly accelerated the process of developing these ties.

In the 1990-2000 phase, four decades after the establishment of the PRC, Sino-Saudi diplomatic relations were established. The establishment of these diplomatic relations was daunting for the ROC, which wanted to preserve the diplomatic recognition that the KSA had granted it for the preceding 45 years. The strenuous efforts of the ROC to prevent a dramatic shift of diplomatic recognition to mainland China were in vain.

The 1990-2000 phase was marked by significant growth in the newly established Riyadh-Beijing diplomatic relationship. Economic interests were at the heart of the agendas of the leaders and officials of the two countries. They began to enhance co-operation and to sign agreements related to various aspects of their bilateral relations. A Memorandum of Understanding (MoU) on Oil Co-operation was concluded in 1999. The value of Sino-Saudi total trade rose by 643 percent between 1990 and 2000 and the volume of Saudi oil exports to China increased by 6,721 percent between 1991 and 2000. After nearly ten years official diplomatic relations were established, President Jiang Zemin viewed the development of bilateral relations as impressive, while Crown Prince Abdullah seemed to suggest that there was now “an intimate relationship” between the two countries, saying that he considered the PRC to be the KSA’s closest friend.

The period 2001-10 is also sub-divided into two phases: 2001-05 and 2006-10. This period exhibits the three characteristics of *complex interdependence* that Keohane and Nye (2000) put forward in their scholarly work: *multiple channels*, *the minimal role of military force*, and *the absence of a hierarchy of issues*. Security issues were largely excluded from Sino-Saudi bilateral relations, while economic interests dominated the agendas of the two countries. In the first phase (2001-05), high-level officials continued to play a leading role in bilateral

economic relations. They consistently called for the participation of the private sector in expanding Riyadh-Beijing economic ties. The value of Sino-Saudi total trade continued to climb, reaching USD16.1bn in 2005, and the PRC's oil imports from the KSA reached 22.2 million tonnes in the same year. Some joint investment projects that involved the participation of Chinese and Saudi companies in the hydrocarbons sector were successful. With regard to the construction industry, Chinese companies won four construction projects from the Saudi Arabian cement industry.

The second phase (2006-10) was marked by substantial advancement in Sino-Saudi relations. Following the exchange visits of the state leaders in 2006, bilateral contacts expanded rapidly. The visits led to the formulation of more strategies, with the intention of cementing the relationship, increasing contact and concluding more agreements. The Chinese leaders called for "strategic co-operation", "a friendly and co-operative strategic partnership", and "strategic friendly relations", specifically referring to economic co-operation.

This second phase saw Sino-Saudi total trade increase to USD 33bn in 2009, and the volume of PRC oil imports from the KSA reached a peak of 41.8million barrels in the same year. With regard to the hydrocarbons joint ventures, in which investments were jointly made by Saudi ARAMCO and Sinopec, the projects in Quanzhou and Rub' Al-Khali were good examples of the strong co-operation between PRC and KSA companies. The Quanzhou plant launched operation in 2009, and the gas-exploration project in Rub'Al-Khali engaged in drilling for another three years (its operation began in 2004). The achievement of SINOPEC SABIC Tianjin Petrochemical Co., Ltd, as part of the Tianjin petrochemical project, is another example of such co-operation. In non-hydrocarbons joint ventures, mutual investment increased exponentially, particularly in the mining sector.

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List of Abbreviations

AAPP	Association of the Asian Parliament for Peace
BMENA	Broader Middle East and North Africa
bpd	barrels per day
CCP	Chinese Communist Party
CCPIT	China Council of Promotion of International Trade
CECEPG	China Energy And Environmental Protection Group
Chalco	Aluminum Corporation of China Limited
CHEC	China Harbour Engineering Company
CICIR	China Institute of Contemporary International Relations
CIIS	China Institute of International Studies
CIS	Commonwealth Independent States
CNGM	China Geological Mining Corporation
CPPCC	Chinese People's Political Consultative Conference
CSCCI	Council of the Saudi Chambers of Commerce and Industry
DFLP	Democratic Front for the Liberation of Palestine
ETIM	East Turkistan Islamic Movement
FEL	Front-End Loading
FPCL	Fujian Petrochemical Company Ltd.
GCC	Gulf Cooperation Council
HOA	Head of Agreement
IAC	Islamic Association of China
IR	International Relations
JCCI	Jeddah Chamber of Commerce and Industry
JEC	Jizan Economic City
JFS	Joint Feasibility Study
JV	Joint Venture
KSA	Kingdom of Saudi Arabia
LOI	Letter of Intent

LSGs	Leading Small Groups
MFN	Most Favoured Nation
MNCs	Multinational Corporations
MoU	Memorandum of Understanding
MPC	Ma'aden Phosphate Company
mt/ yer	metric ton per year
NFC	China Non-Ferrous Metal Industry's Foreign Engineering & Construction Co. Ltd.
NPC	National People's Congress
NSCSA	National Shipping Company of Saudi Arabia
NSWLSG	National Security Work Leading Small Group
NWO	New World Order
OIC	Organization of the Islamic Conference
OPEC	Organisation of the Petroleum Exporting Countries
PA	Palestinian Authority
PC	Polycarbonate
PDPA	People's Democratic Party of Afghanistan
PDRY	People's Democratic Republic of Yemen
PE	Polyethylene
PLA	People Liberation Army
PLO	Palestine Liberation Organization
PP	Polypropylene
PRC	People's Republic of China
PSC	Politburo Standing Committee
PX	Paraxylene
RCCI	Riyadh Chamber of Commerce And Industry
ROC	Republic of China
SABIC	Saudi Basic Industries Corp.
SAGIA	Saudi Arabian General Investment Authority
SALT	Strategic Arms Limitation Talks
SAMA	Saudi Arabian Monetary Agency

Saudi ARAMCO	Saudi Arabian Oil Company
SBG	Saudi Binladin Group
SCC	Saudi Consultative Council
SCO	Shanghai Cooperation Organisation
SDPC	State Development Planning Commission
SIIS	Shanghai Institute of International Studies
SINOPEC	China Petroleum and Chemical Corp.
TALSG	Taiwan Affairs Leading Small Group
UNICEF	United National Children's Fund
UNIPEC	China International United Petroleum & Chemical Co., Ltd.
UNMOVIC	UN Monitoring Verification and Inspection Commission
UNSC	United Nations Security Council
UNSCOM	United Nations Special Commission
WMD	Weapons of Mass Destruction
WUYC	World Uygur Youth Congress
WWIDC	Western Way for Industrial Development Company Limited
YAR	Yemen Arab Republic

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Chapter One

Introduction

Introduction

This chapter provides an overview of the thesis and discusses the objectives, significance, and scope of the study. It will assess the case study approach, as the China-Saudi bilateral relationship is seen as a case of developing complex interdependence. The chapter also includes a review of the available literature relating to China's involvement in the Middle East and the development of Sino-Saudi relations.

The sub-section on the theoretical approach puts forward the concepts of complex interdependence and the constructivist approach. With regard to complex interdependence, Keohane and Nye established a link between power and interdependence. Thus, the analysis will also detail the role of power in interdependence. The central focus of the analysis is on determining the characteristics and conditions of complex interdependence and how complex interdependence fits into Sino-Saudi relations.

The origin of complex interdependence can be traced to liberalism, which attempts to promote 'values of order, liberty, justice and toleration' in international relations (Dunne 2011 p.103). These all come to form part of a relationship of complex interdependence, together with other more practical aspects of national interest. This sub-section will contain an analysis of how these aspects may be used to theoretically examine the policy behaviours of China and Saudi Arabia.

Complex interdependence and constructivism are the only theoretical concepts and theories which will be discussed in this thesis. After considering many of the different theories and concepts of IR, the researcher concluded that complex interdependence and constructivism are the only approaches which constitute a useful and realistic means to comprehend the Saudi-Chinese relationship. Realist and structuralist theories are not of very great value in understanding the relationship. Realism and neo-realism emphasize

power in international politics, and they identify some of the conflictual tendencies in a state's relations with other actors in the international system. Realists believe that the main concerns of political activity are 'the goal of power, the means of power and the uses of power' (Jackson and Sorenson 2007 p.94). Realists also tend to stress a single aspect of the world, 'power politics' (Steans 2010). They also see the nature of international relations as conflictual and believe that international conflicts end in war (Jackson and Sorenson 2007). In an anarchic and competitive system, realists argue that the state adopts self-help rather than cooperative behaviour. Self-help signifies that the state must not rely on other states and institutions to ensure its survival (Dunne and Schmidt 2011). Furthermore, the state identifies all other states as 'potential enemies and threats' to its national security.

Structuralism was influenced by Marxism. This idea is shared by many scholars and provides the basis for some IR theories, for example, dependency theory and world system theory. The main focus of structuralism is on inequality and unjust systems. It highlights the exploitation of the poor by the rich, which remains as long as the class interests of the rich are pursued. Class is identified as a principal actor of IR, whereas the state is known as a tool for enforcing 'the rule of dominant classes', and a facilitator of 'capitalist expansion' and 'unjust order' (Steans 2010 p.99). In the context of this study, Sino-Saudi relations do not fit well into this framework. It would appear not to be relevant.

1.1 A Brief Description of the Topic

This study aims at understanding, assessing and analyzing the development of political and economic relations between the KSA and the PRC, with particular attention to the bilateral economic relations that were cultivated before and after the establishment of official diplomatic relations in 1990. Prior to 1990, Saudi Arabia had relations with the Republic of China (ROC). At that time, Saudi Arabia recognized the ROC, and not the PRC (mainland China). In 1990, the Kingdom shifted its diplomatic recognition from the ROC (Taiwan) to the PRC. Since then, Beijing-Riyadh political and economic relations have expanded significantly. Bilateral relations have been used to promote the Saudi

interest in diversifying its economy and China's interest in satisfying the increasing demands (especially oil) that have resulted from its economic growth.

1.2 Objectives of the Study

The following are the objectives of the study:

1. To identify and assess the factors that have exerted significant influence on the political and economic relations between Saudi Arabia and China
2. To trace the development of Sino-Saudi links prior to diplomatic relations
3. To analyse the development of bilateral relations after diplomatic relations were established, and particularly following the events of September 11, 2001
4. To assess the interaction of political and economic dimensions in the relationship
5. To briefly assess the potential implications of Sino-Saudi relations for the US

1.3 Significance of the Study

The study is intended to offer a significant and original contribution to the body of knowledge in the fields of International Relations (IR) and International Political Economy (IPE). The findings of the study are also expected to reveal new information on Sino-Saudi political and economic relations, especially in the period following the Cold War. Although there have been a number of studies and publications examining the relations between China and the Middle Eastern countries, there has been a lack of comprehensive political and economic studies on bilateral relations between China and Saudi Arabia. The aim of this study is to fill this gap.

1.4 Scope of the Study

The limitations of this study are identified in the context of the time frame it covers. Although it examines the Sino-Saudi relations from 1949 to the present, it focuses primarily on a particular period of time, which is between 1990 and 2010.

1.5 Methodology

The emphasis of case study research lies in the notion of ‘focus’ since this type of research requires a deep concentration on a specific issue or number of issues. It can be applied to the field of IR and serves some specific functions. Case study research is identified as:

...a qualitative approach in which the investigator explores a bounded system (a case) or multiple bounded systems (cases) over time, through detailed, in-depth data collection involving multiple sources of information (e.g., observations, interviews, audiovisual material, and documents and reports), and reports a case description and case-based themes (Creswell 2007 p.73).

To stress the importance of the word ‘focus’, Stake clearly states:

[t]he real business of case study is particularization, [not] generalization. We take a particular case and come to know it well, not primarily as to how it is different from others but what it is, what it does. There is emphasis on uniqueness, and that implies knowledge of others that the case is different from, but the first emphasis is on understanding the case itself (Stake 1995 p. 8).

Yin (2009) asserts the importance of case study research for certain areas of academic research, including IR. One reason for this is that case study research allows the researcher ‘to retain the holistic and meaningful characteristics of real-life events’ (p. 4). Regarding its practical purposes, case study research could be considered ‘a methodology, a type of design in qualitative research, or an object of study, as well as a product of inquiry’ (Creswell 2007 p.73).

The researcher has chosen a specific type of case study research and a particular kind of data analysis. There are three types of case study research: the single instrumental case study, the collective or multiple case study and the intrinsic case study (Creswell 2007 p.74). The intrinsic case study has been identified as the most appropriate qualitative approach for this particular study. In this approach the main focus is on the case itself, which ‘presents an unusual or unique situation’ (Creswell 2007 p.74). The case that will be studied in this research is a rapid development of the 21st century Sino-Saudi relations

which creates mutual dependency and carries some significant implications to the Western countries.

In analyzing the data, the researcher has attempted to describe the case and its setting in detail. The researcher used 'direct interpretation', which is one of the types of data analysis and interpretation that the case study researcher advocates. Creswell suggests that 'direct interpretation' requires the researcher to obtain meaning from a particular and singular instance. In further describing the method of making a 'direct interpretation', he states that a researcher does this by '...pulling the data apart and putting them back together in a more meaningful way' (2007 p. 163).

Case study researchers use a variety of reliable data sources in gathering evidence regarding the evolution or development of the case (Creswell 2007). This researcher has used documentation, statistical data and interviews as discussed by Robert K. Yin in his book *Case Study Research: Design and Methods* (Sage 2009). For the narrative documentation, the researcher consulted news clippings and relevant articles published in the mass media; governmental memoranda of agreement; public announcements; and progress reports published by official bodies. This evidence was accessed through online resources and internet searches. For the statistical data record, the research benefited from use of the UN Statistical Database, the IMF Direction of Trade Statistic dataset, the Saudi Arabian Monetary Agency (SAMA) Annual Report and the Trade Statistics of the Bureau of Foreign Trade of Taiwan. These official records provided trade statistics between the PRC and Saudi Arabia and the ROC and Saudi Arabia. For the interviews, the researcher used a focused interview, meaning that the interview was conducted in a short period of time (Yin 2009). Most of the interviews were carried out as 'one-on-one interview'. During the fieldwork, there were some interviewees who declined to make a detailed comment, and some refused to provide an adequate response to the questions. An example was a personal interview during which the interviewee claimed that he had no authority to share a specific piece of data with the researcher.

In 2008 and 2010, the researcher conducted several interviews in Beijing, which involved interviewees from both China and Saudi Arabia. The Chinese interviewees were those

who worked with China's Foreign Affairs institutions (research think-tanks for international relations). The interviews were held with personnel at the China Institute of International Studies (CIIS), China Institute of Contemporary International Relations (CICIR) and Shanghai Institute of International Studies (SIIS). The researcher also had a brief interview with a Saudi attaché at the Royal Embassy of the Kingdom of Saudi Arabia in Beijing. All of the interviewees provided valuable information related to the study.

1.6 Literature Review

This sub-section attempts to present the relevant literature on China's increasing involvement in the Middle Eastern region with a major focus on the relations between China and Saudi Arabia. Most of the following literature provides an assessment on China's contacts with the governments and people in the region from 1949. The following three areas are highlighted by some of the literature: the unofficial contacts between Chinese Muslims and the Saudi leaders and officials; China's initiatives of building the relationship with Saudi Arabia; and the development of the Sino-Saudi relation since the diplomatic relations was established. The assessment of the scholarly works is chronologically based according to the year of publication. Most of these works are analyzed further in the subsequent chapters of this study.

Shichor (1979) provides historical background on Chinese relations with the Middle Eastern countries after World War II. He examines the importance of the Middle East in China's strategy and policy considerations between 1945 and 1977. He stresses that Chinese interests towards the Middle East were continuous and long-term and that China extended its support to the local governments and people who struggled against the Imperial powers (Western powers and the Soviet Union). He also highlights the Bandung Conference during which an important meeting took place between China and countries in the Middle East, particularly those that continued to implement hostile policies towards Beijing. Among these countries was Saudi Arabia. After the conference, the Kingdom continued to adopt the same position towards China. Schichor also underlines an important initiative undertaken by the China Islamic Association. Its Chairman, Burhan Shahidi, who led a Hajj delegation in the mid-1950s, had an opportunity to meet

King Saud of Saudi Arabia. This meeting, unfortunately, failed to yield any political implications between Beijing and Riyadh.

The background of China-Middle Eastern relations in the aftermath of the World War II has been further analyzed in Abidi's work. Abidi (1982) discusses the development of China's relations with Iran, Iraq and the Gulf states about which he argues no comprehensive study had been made. For a few pages of the book, Abidi analyzes the efforts that went towards the development of diplomatic relations between China and Saudi Arabia. He states that Saudi Arabia displayed 'indifference...prejudice and fear of the atheistic socio-economic ideology' that China had embraced (1982 p. 195). However, Abidi stresses that when China-Oman diplomatic relations were established in May 1978, there had been some reports which indicated China's initiative to build the same relations with Saudi Arabia. China approached Saudi Arabia in several obvious ways: it issued a commentary that expressed its appreciation of the Saudi economic aid to the Arab and Third World countries; the Chinese ambassador to Kuwait, Ting Hao, made a statement in which he voiced his country's deep hope to develop a diplomatic link with Saudi Arabia; and the Chinese Muslims also played an important role. In 1980, however, Saudi Foreign Minister, Prince Sa'ud al-Faysal denied the speculation that his country had created any official contacts with China.

China's Foreign Policy in the Arab World Three Case Studies, 1955-75, by Behbehani, focuses mainly on China's relations with Palestine, Kuwait and the Liberation Movements. He divides his work into three phases: 1955-66, 1967-70 and 1970-75. Behbehani provides a brief discussion on China's ongoing effort to develop relations with Saudi Arabia. In the Buraimi dispute, China originally sided with Saudi Arabia. Two years later, China changed its analysis of this dispute, viewing it as a clash between two foreign powers: the US and Britain. China also believed that the former 'had a free hand in manoeuvring Saudi Arabia over the Buraimi issue' (1981, p.166). He also highlights the Chinese calculation of considering Saudi Arabia as an important country. When Crown Prince Fahd bin Abdul Aziz visited Kuwait, Iraq and Iran in 1975, New China News Agency (NCNA) released press reports about these visits. Saudi Arabia, however, upheld its decision to derecognize China.

Calabrese (1991) provides a brief discussion on Sino-Saudi trade and the early development of diplomatic relations, and merely offers a few sentences regarding the Chinese response to Saudi regional policy. He stresses the way in which China granted its support to the Saudi peace initiatives over the Arab-Israeli conflict. Chinese officials complimented the Saudi effort to resolve the Arab-Israeli conflict. Premier Zhao praised the Saudi initiative of the Fez Plan. In a speech to the UN General Assembly on October 4, 1982, Chinese Foreign Minister Huang Hua also complimented the Saudi plan (Fez plan). On the issue of Yemeni political instability, Calabrese argues that China relied on Saudi and American military protection in North Yemen.

Unlike the publication of Calabrese that provides a brief overview of the Sino-Saudi relations, Harris's publication offers a more comprehensive assessment of the historical development of the relations, including the establishment of diplomatic relations. Her work also examines the contacts between the mainland China and Saudi Arabia in the 20th century. In the 1930s and 1940s, some Chinese Muslims from Xinjiang lived in Saudi Arabia. They were involved in business activities that fulfilled the needs of Chinese Muslim pilgrims. In 1938, approximately 7,000 Chinese Muslim pilgrims performed Hajj in the Kingdom. Before the establishment of the PRC, Chinese Muslims, who mainly consisted of Hui and Uighur, also migrated to Saudi Arabia due to communist persecution in China. Ma Bu-Fang, who was the former governor of Qinghai also fled to Saudi Arabia and later became Taipei ambassador to the Kingdom.

Harris (1993) argues that China and Saudi Arabia, realizing that there was a commonality of interest in limiting the Soviet influence, began to cultivate a relationship. One of the indicators that reflected the relations between the two countries was Chinese exports to the Kingdom, which amounted to approximately USD 25 million by 1977. Harris' work is also concerned with some of the factors that prevented the establishment of Sino-Saudi diplomatic relations. Among these factors were Islamic conservatism, a strong Riyadh-Taipei relationship and the exports of Chinese military arms to Iran.

Harris outlines the unremitting efforts of China to develop diplomatic links with the Kingdom. China used various channels, which included the seeking of ‘American good office softening up the Saudis’ (Harris 1993 p. 223). In the 1980s, a number of unofficial contacts took place between the religious delegations and the high-level officials of the two countries and Sino-Saudi economic cooperation was also facilitated. The investment was promoted in the middle of the decade and the selling of Chinese East Wind missiles (CSS-2 or DF-3A) occurred at the end of the decade. Harris also analyzes the steps that occurred in the establishment of diplomatic relations and the implications of the Sino-Saudi diplomatic link for Taiwan.

Huwaitin’s publication provides a background of Chinese foreign policies towards the Gulf and Arab Peninsula region: Bahrain, Qatar, the UAE, Saudi Arabia, Kuwait, Yemen, Oman, Iraq and Iran. Like Harris, Huwaitin closely examines the policy behaviour of China towards Saudi Arabia in a chronological manner. Since the 1955 Bandung Conference, China has attempted to cultivate its cultural, economic and political relations with the countries in the Middle Eastern region. It sent cultural delegations to these countries, including Saudi Arabia. Huwaitin analyzes a number of factors that made Chinese leaders keen to establish diplomatic relations with Saudi Arabia. One of the factors was the reluctance of Saudi Arabia to join the Baghdad Pact in 1955. On the other hand, there were several factors that led to Saudi Arabia’s refusal to establish diplomatic relations with the PRC. Among the factors were the communist ideology, China’s close relations with the Soviet Union (during a specific period of time), Chinese revolutionary policy and Chinese policies towards Muslims in China.

Huwaitin shows how China invested considerable efforts and used available opportunities to cultivate its relations with Saudi Arabia. In the 1960s and early 1970s, Saudi Arabia’s unfavourable attitude towards China was reinforced by China’s support of the revolutionary movement in Oman and the People’s Democratic Republic of Yemen (PDRY) and the Cultural Revolution. In the later part of the 1970s and in the 1980s, China increased its effort to develop relations with Saudi Arabia. It withdrew its support to the revolutionary movement in Oman and later established good relations with the Omani and North Yemeni governments; implemented coherent policies towards the

Kingdom; sought a good office of Kuwaiti government in developing its relations with Saudi Arabia; established commercial contacts between the business communities of the two countries; accentuated the Chinese Muslims' role in cultivating relations with the Kingdom; and sold its missile to Saudi Arabia. Huwaidin also provides a detailed account of the development of diplomatic relations between the two countries and the growth of Sino-Saudi economic cooperation.

Alterman and Garver (2008) analyze the security implications of the US and Chinese policies in the Middle East. They claim that China benefits from the US security protection in the region and that its policy behaviour does not aim to confront the US in the Middle East. They indicate that China believes that the US involvement in the Middle East undermines the regional security, and consequently threatens Chinese interests. They assess the source of potential conflict between China, the US and the Middle East and discuss conflict prevention. They contend that the environments that might create conflict between China and the US in the region 'are not hard to imagine' (2008 p. 8). Concerning the event of the 1980s, the Beijing-Riyadh relationship had come into a conflict with American security interests. Nonetheless, the authors argue that the common interest that the US, China and the countries in the region share could provide the basis for cooperation, which would improve security and Beijing-Washington relations.

Based on political, economic and security calculations, Alterman and Garver suggest that China and Saudi Arabia have laid a solid foundation for bilateral relations. In the late 1990s, the relationship began to grow due to the following economic factors: China required a stable supply of oil from the Kingdom, whereas Saudi Arabia diversified its economic development. China and Saudi Arabia shared a common perception regarding the Middle Eastern issue. Concerning Iraqi WMD and the 2003 American invasion of Iraq, for example, the Saudi leaders appreciated Chinese policy behaviour towards these issues. The two countries also rejected the American initiative of democratizing the countries in the Middle East through the Broader Middle East and North Africa (BMENA) in 2004. Moreover, the two countries oppose global political norms that the American government has insisted, '[b]oth the CCP and Saudi monarchy have little use for elections, and both feel that they must maintain tight control over the media, the

Internet, and civil society for the sake of political and social stability (Alterman and Garver 2008 p. 35).

In a PhD thesis entitled 'From Political Rupture to Strategic Partnership: Saudi-Chinese Relationships (1949-2006)', Aborhmah studies the development of bilateral relations between China and Saudi Arabia that began with 'a mutual political enmity' and concluded with an initiative towards the establishment of 'a complementary strategic partnership'. In analyzing the historical development of this relationship, Aborhamah divides his study into eight phases, from 1949 to 2006. Each phase has its own individual criteria and significance in examining this relationship. He continues to stress the factors that shape the relationship: systemic-security nature; normative and ideological nature; and economic interdependence and the complementary relationship.

The absence of Sino-Saudi diplomatic relations between 1949 and 1990 resulted from an integrated set of factors (systemic-security and identity-ideological factors). The development of Sino-Saudi diplomatic relations in 1990 was driven by a number of factors, an example of which was the missile deal in the late 1980s. In the 21st century, Aborhmah sees that this relationship reaches the level of 'a comprehensive strategic partnership'. With this development, he projects that China will be able to increase its position in the Middle East and 'negatively influence' the Western position in the region.

As a whole, Aborhmah has placed more emphasis on the political and security components than on the economic aspect of the relationship. An assessment of the economic aspect, however, should be further developed. One reason is that the relationship between China and Saudi Arabia is largely based on the economic interests of the two nations. The timeframe of the Sino-Saudi relationship upon which Aborhmah has focused his work, 1949-2006, encourages another future study. The years following 2006 are crucial because they mark the rapid development and greater improvement of Beijing-Riyadh relations. This thesis entitled 'The Political and Economic Relations between the PRC and the KSA, 1949-2010', therefore, will attempt to provide a comprehensive analysis of China-Saudi Arabian political economic relations with due weight placed on the period of the 21st century.

1.7 Theoretical Conception of the Study

1.7.1 Complex Interdependence

Robert O. Keohane, a Professor of International Affairs at Princeton University, and Joseph S. Nye, Jr., a Harvard University Distinguished Service Professor, have made an important contribution to the field of IR by introducing a concept, or ‘an ideal type of international relations’, known as a complex interdependence. Through this concept, they challenge three key assumptions of realism: ‘(1) states are the only significant actors, (2) security is the dominant goal, and (3) force is the dominant instrument’ (2011, p. xxvii). The two scholars present an analysis of complex interdependence through their scholarly publication entitled ‘Power and Interdependence’. Since the publication of the first edition of this work in 1977 (the fourth edition has been published recently), Keohane and Nye’s idea of complex interdependence has influenced a number of IR observers in their evaluation of the dynamics of world politics. This thesis merely uses complex interdependence as its theoretical conception: other theories are found to be less relevant and less useful to the study.

Keohane and Nye argue that their concept of complex interdependence runs counter to realism, yet their purpose for introducing complex interdependence was to supplement rather than supplant the realist perception of the international system (Strange 1977). Brown and Ainley stress that rather than adopting a new theory of IR to explain international relations, Keohane and Nye offer a new description of these relations (2009). Holsti (1978) asserts that Keohane and Nye’s analysis of interdependence has revealed ‘a new type of international politics that cannot be understood and described by using the concepts and categories of traditional international relations analysis’ (p.520). The analysis, as Holsti argues, has shown that the concept of realism does not embrace particular problems due to the heavy emphasis it places on nation-states as the sole actors and ‘the relative power position of those states’ in predicting the results of international conflict.

IR scholars offer different views of interdependence. Sir Norman Angell, Francis Delaisi and Ramsay Muir view international interdependence as the result of ‘the process of

international specialization and exchange' (Baldwin 1980). They argue that when the world is increasingly interdependent, a global government is important in achieving '...many values...such as peace and economic well-being'(Baldwin 1980 p.484). Kenneth N. Waltz has a critical view of 'interdependence', describing it as a word that 'subtly obscures the inequalities of national capability, pleasingly points to a reciprocal dependence, and strongly suggests that all states are playing the same game' (1970, p. 220).

Keohane and Nye view interdependence as 'mutual dependence'. To illustrate 'the politics of interdependence', Keohane and Nye stress the differences between interdependency and interconnectedness. Interdependency has a 'costly effect' on the interaction, whereas interconnectedness does not. Keohane and Nye (1989) further discuss how the 'costly effect' can come about. First, there could be another actor who 'intentionally and directly creates the "costly effect"'. Examples are the Soviet Union and the US, who were mutually threatened by their nuclear weapons during the Cold War. Secondly, there might be other actors who do not 'intentionally and directly' pose this effect. To exemplify this scenario, Keohane and Nye refer to members of an alliance which opt for collective action in order to avoid disaster. In the world economic system, as they further contend, coordination is required for the prevention of any possible disorder (p. 9).

In the context of world politics, Keohane and Nye describe interdependence as a 'situation characterized by reciprocal effects among countries or among actors in different countries' (1989, p. 8). The reciprocal effects are the outcome of international transactions. The two scholars define transactions as the movement of 'money, goods, people and messages' beyond national boundaries. Certain constraints prevailing in a transaction may have implications for interdependence.

1.7.1.1 The Role of Power in Interdependence

Keohane and Nye define power 'as the ability of an actor to get others to do something they otherwise would not do (and at an acceptable cost to the actor). Moreover, power

can be conceived in terms of control over outcomes' (2000, p. 10). Power is also described as a 'control over resources, or the potential to affect outcome' when one considers asymmetrical interdependence as a source of power (Keohane and Nye 2000).

The two scholars suggest that the role of power in interdependence can be understood if one differentiates between two aspects: sensitivity and vulnerability. Sensitivity occurs when 'interactions within a framework of policies' exist. It also includes the 'degree of responsiveness' within a framework. Keohane and Nye attempt to explain degree of responsiveness by addressing the following questions: 'how quickly do changes in one country bring costly changes in another, and how great are the costly effects?' (2000, p. 10)

Sensitivity assumes that a framework of policies remains constant. Such consistency may indicate an uneasiness concerning the development of new policy within a short period of time and the adherence to a specific pattern of national and international rules. In measuring sensitivity, the amount of trans-border flow and the adverse effects of changes in transaction among societies or governments are taken into consideration. Keohane and Nye use the example of the 1970s oil price spike to illustrate the sensitivity interdependence of the US, Japan and the Western European economies on imported oil. In this context, sensitivity refers to both the negative effect of importing oil from oil-producing countries and the amount of oil imports.

Keohane and Nye examine vulnerability of interdependence, which 'rests on the relative availability and costliness of the alternatives that various actors face' (2000, p. 11). In discussing the vulnerability of interdependence, they raise a question regarding a situation that might develop when a policy framework changes. In other words, they assess the implications of introducing alternatives and new policies to a framework.

Vulnerability interdependence can arise in politico-economic and sociopolitical relations. In terms of politico-economic relations, Keohane and Nye give the example of raw material imports. They claim that in order to assess vulnerability, one has to know the degree of efficacy altered policies would bring about in providing an adequate amount of

a raw material or substitute raw material, and the cost of doing so. They state that the fact that America imports 85 percent of its bauxite does not reflect American vulnerability in regard to the actions of the bauxite supplier and that, in this scenario, American vulnerability can only be determined once one knows the cost that would be incurred 'in time as well as money' to acquire an alternative raw material (Keohane and Nye 2000 p.13). In regard to sociopolitical relations, Keohane and Nye refer to the case of US-Sweden relations. After criticizing US policy towards Vietnam, Sweden faced the threat of possible suspension of cultural contact with America. According to these scholars, Sweden's vulnerability to the suspension would be determined by its ability to adjust its policies in light of this new development.

1.7.1.2 The Characteristics or Conditions of Complex of Interdependence

Keohane and Nye outline three characteristics of complex interdependence: *multiple channels*, *the minor role of military force* and *the absence of a hierarchy of issues*. The first characteristic, *multiple channels*, emphasizes the ways in which societies are linked. According to Keohane and Nye (2000 p. 21), channels involve a wide range of actors and include different types of relations: 'governmental elites,...non-governmental elites...and transnational organizations (such as multinational banks and corporations)'. Channels can involve 'interstate, transgovernmental and transnational relations'. The nature of these relations is both formal and informal.

Transnational and transgovernmental relations or 'multiple channels of contact among societies' can affect the results of political bargaining. A domestic group, for example, might change its attitudes and policies after it has had some communications with other groups within or outside the country. The statesmen, therefore, should be aware of the possible implication that this condition might have on 'politicization and agenda control'. Multiple contacts also occur between governmental bureaucracies that perform a similar job. As a consequence of the contacts, 'transgovernmental coalitions on particular policy questions' might be built.

Concerning the second characteristic, *the minimal role of military force*, the two scholars contend that with the existence of complex interdependence, most countries refuse to use the military force to fight against other countries in their region, or when objecting to a particular issue. Certain countries that enjoy an 'intense relationship of mutual influence' see the use of force as an 'irrelevant or unimportant...instrument of policy' (Keohane and Nye 2000 p. 24).

Keohane and Nye further argue that the use of force is not a rational approach to reaching certain policy objectives such as economic welfare. The use of force is also seen as an inappropriate method of ending economic disputes among countries. If two countries have established a variety of relationships, the use of force against one another may sever one of their profitable bilateral relationships. In such a scenario, the use of force '...often has costly effects on nonsecurity goals' (Keohane and Nye 2000 p. 25).

However, Keohane and Nye argue that 'military power can be used politically' (Keohane and Nye 2000 p.24). They apply this argument in the context of the Cold War period. The superpowers (the US and the Soviet Union) purposely used the threat of force to deter attacks against each other or their allies. The superpowers thereby assumed a protective role for the allies, which resulted in the political influence of the former over the latter.

Third, is the *absence of a hierarchy of issues*. While various issues exist in the agenda of a state-to-state relationship, the arrangement of these issues is not based on 'a clear or consistent hierarchy'. Domestic policy can cause some of these issues to be raised, making the boundary between international and domestic issues vague. Moreover, an absence of a hierarchy of issues suggests that 'military security does not consistently dominate' the agenda between the states (Keohane and Nye 2000 p. 21).

Keohane and Nye compare the characteristics of complex interdependence with realism. In complex interdependence the existence of multiple channels of access is recognized, whereas in realism a state is advocated. Moreover, the role of force is viewed differently: Complex interdependence assumes that 'force will be of low salience' in international relations as opposed to realism, which considers force to be the key role of international

relations. In complex interdependence, an 'issue-area' can dominate the international agenda for only a specific period of time. This development reflects the absence of a hierarchy of issues. In realism, security issues dominate the international agenda (Brown and Ainley 2009).

1.7.1.3 Five Aspects of Political Process under Complex Interdependence

Keohane and Nye explain a political process which created by the conditions (characteristics) of complex interdependence. In the process, five aspects are emphasized: *goals of actors, instrument of state policy, linkage strategies, agenda setting, and the role of international organizations.*

Goals of actors is the first aspect of the political process. The goals are varied due to 'the absence of a clear hierarchy of issues' (Keohane and Nye 2011 p.25). Keohane and Nye anticipate that the states and the transnational actors have different goals, depending on issue areas: 'the goals of states will vary by issue areas (and)...transnational actors' goals will differ by issue areas (2011, p.98). The two scholars, moreover, predict the effect of transgovernmental politics on the states' efforts towards the goals: 'transgovernmental politics will hinder state from pursuing coherent objectives' (2011, p.98).

The second aspect is *instruments of state policy*. The two scholars identify '[m]anipulation of interdependence, international organizations, and transnational actors' as the key instruments of the policy (2011, p.31). The instruments are used in achieving the states' goals.

The third aspect is termed *linkage strategies*, which can be described as the interrelatedness among issues. In discussing linkage strategies, Keohane and Nye (2000) stress that different issues differ in terms of their goals, distribution of power, political processes and patterns of outcomes.

Under complex interdependence, military power is less important and therefore it is difficult for a militarily strong state to exert dominance on a variety of issues. For an

economically strong state, an 'overall economic power' is used in order to influence the outcome of certain issues. The state, however, will face some constraints since the economic objectives carry political implications and economic linkage is limited by domestic, transnational and transgovernmental actors who refuse to 'trade off' their interests. For a 'poor weak state', a linkage among issues can be established and is seen as 'a means of extracting concessions or side payments from rich and powerful states (Keohane and Nye 2000 p. 27). The weak state uses the international organization as a linkage instrument.

Agenda setting between or among states is the fourth aspect of the political process. The two scholars see the growing importance of developing and controlling agenda since there is ambiguity in the 'hierarchy among multiple issues'. The global and domestic problems caused by 'economic growth and increasing sensitivity interdependence' shape this agenda. An example would be the behaviour of a local group in politicizing a specific issue. The group will raise issues that were 'once considered domestic onto the interstate agenda' (Keohane and Nye 2000 p. 28). Keohane and Nye also discuss the behaviour of politicization. They define politicization as 'agitation and controversy over an issue that tend to raise it to the top of the agenda'. A particular behaviour could have a number of causes, such as the rising strength of a particular government relative to other governments and the ineffectiveness of an international regime (Keohane and Nye 2000 p. 33).

Other factors also affect agendas. Examples include changes in 'the distribution of power resources', such as the increase of OPEC oil prices, which changed the agenda of trade issues between North and South countries and changes in 'the importance of transnational actors', such as the growing importance of multinational corporations (MNCs) at the beginning of the 1970s, which later influenced both the agendas of the UN and various states (Keohane and Nye 2000 p. 33).

The fifth condition is *the role of international organizations*, which includes some significant roles such as setting up international agenda, becoming 'catalysts for coalition-formation' and serving as a platform from which the political initiatives of the

weak states can be pursued. When multiple issues are linked and transnational and transgovernmental coalitions are formed, the role of organizations involved in political bargaining becomes more powerful (Keohane and Nye 2000).

The role of international organizations in world politics is substantial. In some cases international organizations encourage the establishment of political coalitions among countries and help convene the representatives of less developed countries. Keohane and Nye (2000) give an example of the development of Third World strategies of solidarity through international conferences, which are mostly supported by the UN.

1.7.1.4 Sino-Saudi Relations and Complex Interdependence

Keohane and Nye critically examine the role of power in interdependence, stressing the differences between sensitivity and vulnerability interdependence. Within the scope of Sino-Saudi relations, oil cooperation between the two countries exemplifies the link between power and interdependence. The cooperation, moreover, exhibits the feature of vulnerability interdependence since China has been pursuing alternative policies, as can be seen in the country's continuous efforts to diversify its sources of foreign oil supplies.

The three characteristics of complex interdependence —multiple channels, a minimal role of military force and an absence of a hierarchy of issues—increasingly appear in China-Saudi Arabian links. Concerning multiple channels, Sino-Saudi relations involve different groups of actors with different levels of interaction. Prior to the time that diplomatic relations were established, the people in the PRC and Saudi Arabia used Islamic organizations in initiating and maintaining their contacts. The Islamic Association in China, for example, made the arrangements for Chinese Muslim Hajj delegations to visit Saudi Arabia. On several occasions the delegations met with Saudi leaders in the Kingdom. When diplomatic relations were established in July 1990, contacts between the leaders and high-ranking officials of the two countries were effectively developed. Moreover, economic relations between the Saudi and Chinese business circles were fostered successfully. The Riyadh-Beijing bilateral contacts clearly

indicate interstate and transnational relations, which further reflect the aspect of ‘multiple channels’.

The second characteristic of complex interdependence, a minimal role of military force, is also evident in the bilateral relations between China and Saudi Arabia. Based on an ABC News report, China, Saudi Arabia, Pakistan and Egypt joined an anti-Soviet alliance during the Soviet infiltration of Afghanistan in the 1980s. The third characteristic of complex interdependence, the absence of a hierarchy of issues, is embodied in Sino-Saudi relations. The security aspect is less significant in the bilateral relations between the two countries, except during the purchase of CSS-2 missiles and ground missiles in 1988. Overall, Sino-Saudi relations largely encompass political, economic and social aspects.

1.7.2. Constructivism

Constructivist theory is important to this thesis, and it will therefore be given some attention here. Three different types of constructivism will be identified. Among the concepts/aspects given emphasis in constructivist theory are power, institutions, norms, identity and interest, and social settings (including social context or social structure, the social construction of reality and global transformation).

1.7.2.1 The Importance of Constructivism in International Relations (IR)

The development of constructivism in IR took place in the 1980s, when constructivists criticised other IR theories, particularly neo-realism and neo-liberal institutionalism (Barnett 2008), and sought to develop new ways of understanding international relations. Constructivism shares many characteristics with the English School. It also seems to support the work of the English school because it introduces ‘a new level of conceptual clarity and theoretical sophistication’ into the analysis of international and world society (Reus-Smit 1996 p.227). There are some aspects of constructivism that conflict with materialist and rationalist theories. These aspects include emphasis on international norms, the acknowledgment of the influence of ideas and values on political action,

interest in how argument and discourse affect outcomes, and the composition of identity in agents and its effects on agency (Reus-Smit 1996).

Chris Reus-Smit identifies three types of constructivism—systemic, unit-level, and holistic. Both systemic constructivism and unit-level constructivism have their own ways of interpreting and analysing world politics. Holistic constructivism, on the other hand, attempts to demonstrate a comprehensive understanding of world politics by reflecting both systemic and unit-level constructivism.

Systemic constructivism concentrates specifically on the ‘interactions between unitary state actors’. Reus-Smit associates systemic constructivism with the work of Alexander Wendt, who classifies the identities of states into social and corporate. A state’s social identity is ‘the status, role or personality that international society ascribes to a state’, whereas its corporate identity are ‘the internal human, material, ideological, or cultural factors that make a state what it is’ (Reus-Smit 1996 p.219). Reus-Smit points out that Wendt has focused on the sources of corporate identities due to his adherence to ‘systemic theorising’ and seen the way state identity is produced and reproduced through ‘structural context, systemic process, and strategic practices’ (Reus-Smit 1996 p.220).

Unit-level constructivism focuses on the links ‘between domestic social and legal norms and the identities and interests of states’ (Reus-Smit 1996 p.220). Reus-Smit highlights the work of Peter Katzenstein in the discussion of this type of constructivism. Katzenstein’s work, entitled *Cultural norms and national security: Police and military in postwar Japan*, emphasises the significance of ‘institutionalized regulatory and constitutive national social and legal norms’ in national security policies, which he studied in the context of Germany and Japan. Reus-Smit (1996) underlines the merits of unit-level constructivism, which allows ‘the explanation of variations of identity, interest and action across states’. Such explanation does not occur in systemic constructivism. (Reus-Smit 1996 p.220).

Holistic constructivism attempts to overcome the division between systemic and unit-level constructivism. Holistic constructivists place corporate and social elements into ‘a

unified analytical perspective,' which considers 'the domestic and international as two faces of a single social and political order' (Reus-Smit 1996 p.221). They use this approach as a way 'to accommodate the entire range of factors' that determine the states' identities and interests (Reus-Smit 1996 p.221). Holistic constructivism has its own advantages: it can clarify the dynamics of 'the normative and ideational structure' of today's international system and the social identities that it has built.

Holistic constructivists pay attention to 'the mutually constitutive relationship' of the established order (the social and political order) and the state. They concentrate on this relationship since they are concerned with the development of global change, in particular with the establishment and abolishment of a sovereign state. This perception produces two 'analyses of international change'. The first analysis assesses 'shifts between international systems', while the second analysis concentrates on 'recent changes within the modern system' (Reus-Smit 1996 p.221). For the first analysis, one may refer to the work of John Ruggie, which stresses the significance of 'changing social epistemes, or frameworks of knowledge'. His work is about the collapse of European feudalism that brought about the creation of the sovereign state. The second analysis can be understood through the writing of Friedrich Kratochwil, who emphasises 'the role of changing ideas of international order and security'. This work deals with the end of the Cold War.

1.7.2.2 The Key Aspects of Constructivism

Power

Constructivists view power as anything which can shape actors' behaviour. This view has added two important points to the understanding of power that are most commonly found in IR theories: 'the ability of a state to compel another state to do what it otherwise would not do' (Barnett 2008 p.165); and 'material technologies', such as economic statecraft.

These two points focus on ‘the forces of power’, which ‘can be ideational’ and move ‘beyond material’. In explaining the first point, Barnett (2008) tries to illustrate the concept of the power of legitimacy by applying this concept to two situations. First, he examines a situation in which states see a necessity to reshape their policies because they want these policies to be seen as legitimate. Otherwise, states have to bear the cost of their policies. How do states view legitimacy? States believe that their actions should confirm and hold the values of the international community. If this is the case, states will be able to convince other states to support their policies. Second, Barnett (2008) examines a situation in which states are not concerned with their reputation or the ways in which they are perceived; here, states do not care whether their behaviour is in line with the existing international standard. This situation would mean that the tactic known as ‘naming and shaming’, which is often used by human rights activists, would have limited impact.

In explaining the second point, Barnett (2008) suggests that power can bring an effect that is ‘beyond the ability to change the behaviour’. He also argues that power can be reflected in the role of ‘knowledge, the fixing of meanings, and the construction of identities’ in ‘allocat[ing] differential rewards and capacities’ (p.165).

Institution

An institution develops itself as an actor and may influence other actors at the same time. Adler refers to Ruggie’s (1998) writing in explaining the constructivists’ understanding of institutions. Institutions are seen ‘as reified sets of intersubjective constitutive and regulative rules that, in addition to helping coordinate and pattern behaviour and channel it in one direction rather than another’, also ‘help establish new collective identities and shared interests and practises’ (Adler 2002 p.104).

Adler (2002) recognises common perceptions among constructivists (Adler and Barnett 1998; Finnemore 1996; Keck and Sikkink 1998) who have argued that certain factors may lead to the establishment of a good institution. These constructivists assert that ‘socialization, learning and emulation may enable international institutions to establish,

articulate and transmit norms across nations, to define what constitutes legitimate behaviour, and to shape the identities of their members' (Adler 2002 p.104).

Adler also highlights the work of Finnemore (1996), who stresses the link between the role of international organizations and the formulation of national interest: 'international organizations "teach" or help diffuse norms and thereby help constitute the national interest of states that adopt these norms' (Adler 2002 p.103). Constructivists study international actors. These actors are identified as 'epistemic communities...NGOs..., transnational advocacy networks..., and moral communities' (Adler 2002 p.104).

Norms, Identities, and Interests

Constructivists forge a direct and close link between norms, identities and interests and argue that these three components are vital for identifying and understanding the social factors that affect the behaviour of actors at the international level.

Constructivists view norms as a component of social identities that 'give national interest their content and meaning' (Adler 2002 p.103). They believe that the identities of actors are developed by 'the institutionalized norms, values and ideas of the social environment in which they act' (Reus-Smit 1996 p.219). Because constructivists see identity as a central part of 'national and transnational interests', identity is important for understanding 'international behaviour, practices, institutions and change'.

A constructivist perspective links identity with interest, arguing that 'interests are the products of identity'. Hopf (1998) provides the example of an identity of 'great power', which reveals a specific type of interests. These interests are different from those produced by the identity of 'European Union member'. Constructivists also attempt to define 'absent interests' or 'missing interests', which they see 'as produced absences, omissions that are the understandable product of social practices and structure' (Hopf 1998 p.176). It should be stressed here that constructivists still consider these interests to be the outcome of structure and social practices. Some constructivists, however, believe

that ‘environment and interactions’ construct both actors’ interests and identities (Barnett 2008).

Some constructivists define the interests of actors as something that is determined before the social interaction occurs. These interests are ‘endogenous to such interaction...a consequence of identity acquisition...learnt through processes of communication, reflection of experience, and role of enactment’ (Reus-Smit 1996 p.219).

1.7.2.3 Social Settings of International Relations

Through an examination of the works of Alexander Wendt, Ted Hopf, Christian Reus-Smit, and Michael Barnett, three important social settings of international relations—social structure or social context, social construction of reality, and global transformation—can be identified.

Social Structure or Social Context

Some constructivists see structures as having ‘a causal impact’. This is because structures produce a specific behaviour, and later lead to particular ‘tendencies in [the] international system’ emerging. Sovereignty, for example, creates and invests states with ‘certain capacities’. These capacities will ‘make possible certain kinds of behaviours’. In world politics, sovereign states have certain ‘rights and privileges’ that other actors do not. With specific limitations, they may use violence, unlike other actors, like non-state actors, for whom the use of violence is considered to be terrorism (Barnett 2008 p.166).

Wendt (1995) underlines the characteristics of social structure. The social structure has actors who exist in a particular situation and is based on ‘the nature of their [actors’] relationships’. The “nature” can be defined as ‘cooperative or conflictual’ (Wendt 1995). He also argues that social structures are ‘real and objective’. This objectivity, however, relies on ‘shared knowledge’. In discussing objectivity, Wendt (1995) deals with two aspects. On the ontological side, he sees social structures, such as the Cold War, as ‘collective phenomena’. These phenomena ‘confront individuals as externally existing

social facts' (p.75). On the epistemology side, he argues that constructivists could indeed possess 'objective knowledge' of the social structures (p.75).

Social structures have three elements: 'shared knowledge, material resources, and practice' (Wendt 1995 p.73). The first element includes 'shared understandings, expectations, or knowledge'. Constructivists believe in 'the power of knowledge, ideas, culture and ideology, and language': ideas are seen as 'a form of power, that power is more than brute power' (Hopf 1998 p.177).

The second element is 'material resources'. Through 'the structure of shared knowledge', these resources will be meaningful to human actions. Power and interests, moreover, will have effects when they are constituted by shared knowledge. Wendt (1995) explains how 'shared understanding' works. He argues that if North Korea had five nuclear weapons, it would pose a serious threat to the US. In contrast, if Britain had five hundred nuclear weapons, these would be 'less threatening' to the latter because the two countries have developed good relations. In this context, the function of 'shared understanding' is understood in terms of 'amity or enmity' (p.73).

The third element of social structures is practice. Constructivists attempt to analyse the ways in which 'the natural social structures' become the 'effects of practice'. Examples of these structures are 'the Cold War and self-help' (Wendt 1995 p.74).

Hopf (1998) argues that social practice is capable of reproducing 'an intersubjective social structure'. He also claims that such practice can reproduce 'actors through identity'. The existing social practices within and outside a country restrain and encourage the behaviour of a state in its foreign policy. Hopf (1998) offers the example of American military intervention in Vietnam, which reflects some of the US's identities, such as 'great power, imperialist [and] ally'. This intervention also implies a reproduction of 'the intersubjective web of meaning' that explains these components of identity. Some countries considered the US to be adopting an imperialist identity. When the US militarily intervened in Vietnam, a reproduction of 'the meaning of being an imperialist state' occurred.

Hopf (1998) stresses Onuf's point of view regarding social practice: in 'a socially structured community', social practice reduces 'uncertainty among actors'. This development boosts actors' confidence that a certain action will yield a specific result or reaction from another actor (p.178).

Social Construction of Reality

The notion of the social construction of reality has two important aspects. One of these aspects is 'the socially constructed nature of actors and their identities and interests'. Actors have their own cultural environments, which play an important role in creating and producing them (Barnett 2008). Barnett (2008), in an attempt to interpret an Arab state's actions in a constructivist framework, argues that rules related to Arabism have constructed the 'identity, interests, and foreign policy' of Arab states. These identities, interests, and foreign policies are not shaped by the line that outlines the populations of Arab states that use Arabic as their language.

The second aspect is the role of knowledge in shaping an individual's construction and interpretation of the world. Having 'historically-produced and culturally bound knowledge', the individual will be able to construct and interpret reality. Knowledge can also be referred to as 'symbols, rules and concepts, and categories' (Barnett 2008 p.163).

'The social construction of reality' shapes a 'legitimate action' (Barnett 2008 p.163). Barnett (2008) views actions as based on 'the logic of consequences' and 'the logic of appropriateness'. The logic of consequences denotes the expected 'costs and benefits' of the action, which is based on an assumption that other actors will be doing the same thing (p.163). The logic of appropriateness emphasises factors that produce 'rule-following' actors who are worried about the legitimacy of their action. If a possible action is illegitimate, the potential cost of taking a particular action will be high. This argument can be illustrated through the case of the US invasion of Iraq in 2003. The US bore the cost of the invasion when other states considered this action illegitimate.

Global Transformation

Barnett's (2008) discussions of global transformation have a key theme, which is diffusion. This theme involves the dissemination of specific 'models, practices, norms, strategies, or belief...within a population' (p.168). Barnett suggests two main issues surrounding diffusion: 'institutional isomorphism' and 'internationalization of norms'. Institutional isomorphism explores how 'organizations that share the same environment will, over time, resemble each other' (p.168). Barnett (2008) offers a few examples of this phenomenon. In the past, there were several means of coordinating state structures, economic activities, and free trade agreements. Today, the nation-state concept facilitates the coordination of the world; states prefer 'democratic forms of governance and market economies', and the nature of 'most international organizations' is multilateral (p.168).

Barnett (2008) further argues that the factors behind the behaviour of states apply 'similar ideas and organizations'. Firstly, states need resources. By adopting 'similar ideas and organizations', for example, reforming a state's institutions, the state may attract resources. Secondly, states are uncertain about their responses to existing challenges. In this situation, states tend to use models that are deemed to be 'successful and legitimate'. Thirdly, a 'symbolic standing' is sought, and states use specific models because they want to have that standing. One example is the behaviour of many Third World countries that are seeking 'very expensive weapons systems' (Barnett 2008 p.169). They do this because they intend to let others know that 'they are sophisticates and are a part of the 'club''. Finally, the role of 'professional associations and expert communities' should not be forgotten, as these associations and communities disseminate organisational models.

The second main issue that addresses diffusion is the 'internationalization of norms'. Norms are defined as 'standards of appropriate behaviour for actors with a given identity' (Barnett 2008, p.169). Some of the roles of the norms are to regulate states' behaviour and to help states 'define themselves and their interests' (Barnett 2008 p.169). The political process influences the development of norms. This development, moreover, has to begin somewhere and to forge a 'nearly always rough and rocky' path in order to be accepted. The idea of humanitarian intervention was rejected in the past—for several decades, in fact. Later, this idea and the idea of 'a responsibility to protect' came to be

widely accepted. One of the reasons for such acceptance is the responsibility of the international community to protect citizens whose states are ‘unable and unwilling to protect’ them.

In the context of the Sino-Saudi relations, the perceptions, practices, norms, identity and interests are imbedded in the way China and Saudi Arabia treat each other.

1.8 The Structure of the Thesis

This thesis has six chapters. The following chapter (Chapter 2) deals with the foreign policies of China and Saudi Arabia. Further, it examines the apparatus of the foreign policy making process and the principles of foreign policy that both of these countries uphold.

Chapter 3 is divided into three periods: 1949–1965, 1966–1977 and 1978–1989. This division aims to help the reader to understand the impact of the political and economic development in China on its foreign policy before, during and after the Cultural Revolution, as well as the policy behaviour of foreign countries in relation to this development. The discussion of each period will be structured similarly, tracing China’s policies in relation to the international system, the Middle East and Saudi Arabia.

Chapter 4 covers the first 10 years of Sino-Saudi diplomatic relations (1990–2000). It begins with an assessment of the new development of the post-Cold War international system. The foreign policy behaviours of China and Saudi Arabia are analysed at the world and regional (Middle East) levels. In the context of Sino-Saudi relations, the historical development of the diplomatic relations between the two countries and Taiwan’s responses to this development are critically assessed. Then the political and economic relations of China and Saudi Arabia are analysed.

Chapter 5 includes a brief assessment of the post–September 11, 2001 period. It then examines the policies of China and Saudi Arabia towards the Middle East and the surrounding region, with a specific focus on the Arab-Israeli conflict, the Afghanistan

war and the US invasion of Iraq. The assessment of the sub-topic ‘The PRC and the KSA’ is divided into two periods: 2001–2005 and 2006–2010. With this division, it is possible to assess whether the state visits of King Abdullah and President Hu Jintao in 2006 greatly affected Sino-Saudi relations.

Chapter 6 gives the conclusions of this study. It reveals and stresses a number of critical points related to Sino-Saudi political and economic relations, specifically from 1990 to 2010. It examines the existing and future implications of the Sino-Saudi link in terms of the relations between Saudi Arabia and its longstanding partner, the United States.

Chapter Two

The Foreign Policy of the PRC and the KSA

Introduction

This part of the thesis will address the apparatus and the principles of Chinese and Saudi Arabian foreign policies. Presenting a concise overview of the apparatus and principles will help draw attention to the unique character of foreign policy decision-making in the two political systems. By examining the nature of the foreign policy process of China and Saudi Arabia, the reader will be enabled to understand how complex interdependence and constructivism has developed within the framework of the Sino-Saudi relations.

2.1 The Apparatus of Foreign Policy

2.1.1 The KSA

The King has full authority to decide Saudi Arabia's foreign policy. Although he consults with the senior princes before he makes a policy decision, not all members of the royal family are involved. The Council of Ministers' involvement in this process is minimal, and the *Majlis Ash Shura* (consultative council) and the *ulama* (religious scholars) do not formally participate.

The King. The King occupies the highest position in the policy-making process. The final say on all policy issues ultimately depends on the King's decisions. In the policy-making process, the King has both absolute and veto powers.

The King is the head of the state whose legitimacy is derived from two pillars: Islam and the Al-Saud Dynasty (Niblock 2006). The King has, for most of the recent period, also

been the prime minister with the power to appoint cabinet ministers, senior officials and governors of the provinces (Hooglund 1983 p. 194). He is also the commander-in-chief of the armed forces. In addition to these roles, the King is a legislator responsible for issuing royal decrees and for consenting to the ministerial decrees. He is also the final court of appeal in granting a pardon.

The Royal Family. The members of the royal family can influence the King's decisions. In established practice, the King consults with the royal family (senior princes) before he makes important decisions. The King and the senior princes apply 'a measure of division of labour or a degree of personal ownership' in governing the country's foreign relations (Nonneman 2006 p. 335). At present, for example, King Abdullah concentrates on Saudi relations with Syria and Crown Prince Sultan focuses on Yemen. In developing a policy-making consensus, the King must demonstrate strong and effective leadership to overcome major difficulties and reconcile serious inconsistencies with the royal family's interests (Quandt 1981).

The Council of Ministers. This council, established in 1953 by King Abdul Aziz, currently (since August 2006) consists of 24 ministers. The King is the president and prime minister of the council, followed by the Crown Prince as deputy prime minister. The ministers have different backgrounds: most of them are commoners and only a few are members of the royal family.

The Council of Ministers is responsible for the implementation of strategies and policies. This council can issue ministerial decrees, but it does not have the right to interfere with the King's decisions. However, 'royal technocrats', who hold the top positions in the state bureaucracy, influence policy-making and implementation. They are 'junior princes with skills and ambitions' who work in important embassies and secure influential economic and military positions (Quandt 1981).

Regarding the role of the Ministry of Foreign Affairs (MFA) in the Kingdom's foreign policy, some limitations have been identified. In many foreign policy areas, the MFA is not the main actor due to 'the personalised nature of diplomacy and...capacity issues' (Hill and Nonneman 2011 p. 9). King Abdullah, however, initiated a significant change in the foreign policy-making process to increase the involvement of the MFA and the intelligence services (Hill and Nonneman 2011).

Majlis Ash Shura (Consultative Council). In April 2005, the members of the *Majlis Ash Shura* were increased from 120 to 150. This increase in technocrats implies a positive development in the authority of the *Majlis*. The *Majlis* was allowed to challenge, summon and question ministers and was given the authority to propose legislation. Approval of its legislative powers was granted by a royal decree in November 2003.

Although the influence and power of the *Majlis* in foreign policy is insignificant, the council still has a Foreign Affairs Committee that can offer suggestions. Although the *Majlis*'s voice is not powerful, the council plays a role in endorsing international treaties and agreements. The *Majlis* needs further reforms in order to perform a key role in foreign policy (Hill and Nonneman 2011 p. 9).

Ulama (Religious Scholars). Religion and political power in Saudi Arabia have a close bond that safeguards the interests of the leaders and the *ulama*, who are known as the main source of ideological legitimacy of the Saudi political leadership and are strong supporters of Al Saud royal family (Hooglund 1993). The Council of Senior *Ulama* serves as a forum where consultations between the King and the religious establishment are conducted regularly (Hooglund 1993 p. 208).

The *ulama* undertake the essential task of ensuring the practice of Islamic values, as well as traditional, social and political norms. They assert their influence on the decision-makers through 'direct and privileged access to the highest locus of decision-making; a

monopoly over some ministries and areas of policy; and popular mobilisation’ (Korany and Fattah in Korany and Dessouki 2008 p. 359).

Some contributing factors motivate the *ulama* in developing an interest in and exerting influence on foreign policy. First, the *ulama* have a responsibility to spread the teachings of *Wahhabi* Islam beyond the boundaries of the Kingdom. Second, the *ulama* have the authority to issue a *fatwa* (Islamic verdict) in accordance with foreign policy decisions. Third, the *ulama* have the capacity to press the government to support Muslim countries and groups through political and financial assistance (El Madani 2003).

The influence of the *ulama* shaped the decisions of King Faisal in implementing an oil embargo in 1973. Nawaf E.Obaid, in his article, ‘The Power of Saudi Arabia’s Islamic Leaders’, claimed that King Faisal and a senior *ulama* had ‘a tacit agreement’ in October 1973. Obaid defines this implicit agreement as, ‘if the war goes badly in Egypt, King Faisal would implement an oil embargo’ (1999, p. 53). When news that Egyptian armies were likely to lose the war on October 19, 1973, King Faisal announced the imposition of an oil embargo on the following day.

2.1.2 *The PRC*

The Politburo Standing Committee (PSC) and the Foreign Affairs Leading Small Group (FALSG) are institutions of the Chinese Communist Party (CCP) that have a leading role in foreign policy (Lawrence 2011) and are known as ‘de facto foreign policy-making institutions’ (Yufan and Ying 2009 p. 137). Several Leading Small Groups (LSGs) and some bodies under the CCP are highlighted in the following assessment. The role of the Ministry of Foreign Affairs (MoFA)—an institution of the government of the PRC in foreign policy—is briefly analysed.

Politburo Standing Committee (PSC). The PSC is known as ‘China’s most senior decision-making body’ (Lawrence 2011). As ‘the smaller group of elite Party members’ (Martin 2010 p. 5), the PSC currently consists of nine high-ranking officials of the CCP: Hu Jintao, president of the PRC and the general secretary of the CCP; Wu Bangguo, chairman of the Standing Committee of the National People’s Congress; Wen Jiabao, premier of the PRC; Jia Qinglin, chairman of the National Committee of the Chinese People’s Political Consultative Conference; Li Changchun, in charge of the publicity and ideological work of the CCP; Xi Jinping, vice president of the PRC; Li Keqiang, chairman of the Standing Committee of the Liaoning Provincial People’s Congress; He Guoqiang, head of the Organisation Department of the CPC Central Committee; and Zhou Yongkang, minister of Public Security. The members of the PSC have increased, signifying an important change in the power distribution at the top level of the CCP: increasing decentralisation.

The PSC is the highest level of the CCP’s leadership. Known as the ‘think-tank of the party’, the PSC is responsible for the development and direction of new policies (Lanteigne 2009) and determines domestic and foreign policies. Its meetings, agendas and discussions are not announced to the public.

The PSC officially approves the foreign policy (Cabestan 2009). Although the PSC makes decision on the basis of a consensus, President Hu Jintao clearly have an influential role in deciding foreign policy. When seeking a major decision, in particular, the president’s support is required (Jakobson and Knox 2010). In dealing with a sensitive foreign policy issue, the president’s role is obviously crucial. In 2006, the president had ‘...to personally edit the wording of China’s official reaction...’ to North Korea’s nuclear tests (Jakobson and Knox 2010 p. 5).

There are cases in which the PSC grants its final approval based on agencies’ recommendations. In 2006, for example, the policy choices of purchasing nuclear

reactors from an American company (Westinghouse) required ‘a blessing’ from President Hu Jintao as head of the PSC (Jakobson and Knox 2010).

Leading Small Groups (LSGs) and Other Bodies of the CCP. Under the leadership of President Hu Jintao, the role of the LSGs has increased. Among the reasons for the strengthening of the LSGs’ role is that ‘the LSGs remain the most convenient and appropriate loci in which to prepare, coordinate, implement...foreign and security policy decisions’(Cabestan 2009 p. 78). Each LSG has offices involved in research activities, policy proposals and coordinating work. The LSGs do not make the final decision about China’s foreign policies.

The FALSG comprises a number of PSC members and other leading CCP officials. Among the FALSG’s members are ‘State Councillor Dai Bingguo, International Department Head Wang Jiarui, Foreign Minister Yang Jiechi, Minister of Commerce Chen Deming, Minister of Defence Liang Guanglie and Minister of State Security Geng Huichang’ (Jakobson and Knox 2010 p. 5). One of the best-known figures of the FALSG is Dai Bingguo. He is ‘...the most influential foreign policy official outside the PSC and...has day-to-day responsibility for foreign policy’(Jakobson and Knox 2010 p. 6). The FALSG also invites ‘departmental officials from relevant bureaucracies, academic specialists, and influential journalists’ to meetings (Lu 2001 p. 46). The discussions and agendas of the FALSG are not publicised.

Premier Wen Jiabao is the chairman of the Financial and Economic Affairs LSG. Ding (2008) states that the functions of the LSG are to regulate the activities between two ministers—commerce and foreign affairs—and to resolve conflicting issues between these two ministers (in Cabestan 2009 p. 80). In the work of Weisman (2008), another task of the LSG is to oversee the activities of the committee that monitors China’s USD 200 billion sovereign wealth funds (in Cabestan 2009 p. 80).

Other LSGs also deliberate on decisions affecting foreign policy. These groups are the National Security Work Leading Small Group (NSWLSG), the Central Small Group in charge of Hong Kong and Macau Affairs, the Taiwan Affairs LSG (TALSG) and the Central Energy Leading Small Group.

The Policy Research Office, the General Office and the International Department have links with the CCP and play an official role in China's foreign policy. The tasks of the Policy Research Office are crucial, including 'research, advice and draft policy documents ahead of major decisions' (Jakobson and Knox 2010 p. 6). The General Office manages 'the flow of information to decision makers and their schedule' (Miller in Jakobson and Knox 2010 p. 6). The International Department regulates the relations between the CCP and foreign governments and political parties.

The Ministry of Foreign Affairs. The role of the MoFA is naturally important to China's foreign policy. The ministry is responsible for providing information to policymakers, interpreting and, in some cases, verifying the decisions that 'the country's leadership' has made. Another substantial role of the MoFA is to monitor 'more routine, low-level decision making' and 'policies towards smaller states'. Regarding the formulation and promotion of policies towards close neighbours—the US, Russia, the EU and Japan—the 'central decision-makers in the CCP' will take responsibility (Lanteigne 2009).

The power of the MoFA, as Jakobson and Knox argue, has declined because of two factors. First, there is an increasing number of entities involved in foreign policy. Second, there has been a gradual decline in the power base of the foreign minister in the CCP since 1998. In explaining the situation, the two authors cite the view of a Chinese professor who "[felt] sorry for Yang Jiechi" because on state visits or during meetings in China with important foreign delegations "Yang is fifth or sixth in protocol" (2010, p. 8).

2.2 The Principles of Foreign Policy

2.2.1 The KSA

In pursuing foreign policy, the Saudi government considers four circles: the Gulf states, the Arab nations, Islam and the international realm. This sub-section attempts to assess the principles of Saudi foreign policy in the Gulf, Arab, international circles and Islamic circles.

The first circle of the Kingdom's foreign policy is the Gulf. Its primacy emerged at the time that the Kingdom of Saudi Arabia was established by King Abdulaziz bin Abdulrahman al-Saud. Blood relations, historical links, the geographical location of the Gulf states and similar political and economic systems are the factors that underpin this circle. To implement policies within this circle, Foreign Ministry document refers to the following guidelines, emphasising security interests as well as the individual and collective roles of the Gulf states.

- Each state is responsible for the security and stability of its region; has the right to preserve its independence and defend its security; and prevents any interference in the affairs of the Gulf states (in the case of aggression, all of these states would cooperate to counter aggressive behaviour since aggression toward one country is considered as aggression toward all member states).
- The Kingdom and GCC members further deepen their cooperation in various fields, primarily in politics, economics, security and in social and cultural matters; agree to coordinate policies in response to any regional and international issues; would seriously respond to a dispute with specific reference to a border clash (the brotherhood and neighbouring principles would be applied in a dispute settlement); and consistently support the integration of economic policies (Kingdom of Saudi Arabia Ministry of Foreign Affairs 2005).

In the context of the Arab circle, the Saudi government stresses the significance of joint action and unified effort on the part of the Arab states. The establishment of the Arab League in 1945 was a necessary means through which the states could work together in promoting their interests and addressing specific issues. The Kingdom's policy in the Arab circle and defined by the following principles, covering Arab nationalism, Islam, Arab solidarity and Arab brotherhood.

- The Kingdom believes that a close link ought to be maintained between Arab nationalism and Islam, and this contention has been shaping the Kingdom's policy since the time of its establishment.
- The Kingdom recognizes the importance of Arab solidarity.
- The Kingdom understands that realism carries negative implications to the peace and stability of the Arab world.
- The principle of Arab brotherhood acts as the foundation for the generous support and assistance the Kingdom offers (Kingdom of Saudi Arabia Ministry of Foreign Affairs 2005).

With due consideration to the need to preserve and promote solidarity among the Arab states, the Kingdom plays the role of an honest and fair mediator. It attempts to resolve Arab disputes and will counter any possible threats against the unity of the Arab countries. The Palestine issue, for example, is a source of major concern in Saudi foreign policy. Since the beginning of the kingship of King Abdulaziz al-Saud, the Kingdom has seen itself as bearing a great responsibility in supporting this issue at the international level. The Saudi Foreign Ministry emphasised this responsibility in the following statement: 'the Kingdom devoted Herself to serve the Palestinian issue toward realizing rightful solutions and fair settlement' (Kingdom of Saudi Arabia Ministry of Foreign Affairs 2005).

The third circle is Islam, which has become a driving force in determining the priorities of the Kingdom's foreign policy. The Saudi government sees itself as utilizing its resources and significant potential with the aim of preserving unity in the Islamic World. This unity, moreover, is enhanced by the sharing of one belief. A number of organizations which were formed among the Muslim countries as a means of building and promoting Islamic solidarity benefited from Saudi initiation. The Muslim World League (1962) and the Organization of Islamic Conference (OIC) (1969) are two examples.

The Kingdom specifies several objectives in pursuing its foreign policy within the Islamic circle. The objectives have three major components: Islam (as a religion), the Islamic countries and Muslim communities. In the pursuit of these objectives, moreover, Islam is seen as a way of uniting Islamic countries and developing a tight-knit global Muslim community. The objectives are given as:

- to build a comprehensive Islamic solidarity
- to explore new scopes of economic cooperation among Islamic states
- to resist any form of 'cultural overflow' and 'intellectual invasion' that would pose a threat to the Muslim world
- to support the activities of the OIC
- to enhance the role of the Islamic states in the sphere of the New World Order
- to support and provide assistance to Muslim minorities around the world
- to promote 'the true image of Islam' and 'the tolerance of *Shariah* law'
- to protect Islam from any allegations or slander

(Kingdom of Saudi Arabia Ministry of Foreign Affairs 2005)

Fourth is the international circle. The following are put across as the principles of Saudi foreign policy in the international circle, dealing with security, economy and social

aspects. First, Saudi Arabia willingly works with an international society through its commitment to the UN Charter and international agreements, and on the basis of international law. The Kingdom also retains strong faith in the role of the UN, particularly with regard to its constant efforts to maintain global peace and security. Second, Saudi Arabia denounces the use of force and interference in the affairs of other countries. Third, Saudi Arabia has taken on the role of ensuring the stability of the international oil market and developed international trade based on the fundamentals of free market economies. Fourth, the country is committed to emphasizing a moral dimension in the formulation of its foreign policy (Kingdom of Saudi Arabia Ministry of Foreign Affairs 2005)

Reflecting its policy of ensuring the stability of the international oil market, the Kingdom seeks to set a “reasonable” price per barrel of oil (between USD 70 and USD 80 at present) and supplies additional oil to the international market should there exist a supply shortage (*Reuters* 15.02.11). In cases of political unrest and natural disasters in which a sudden interruption of oil supplies might occur, the Kingdom promises to fill the gap of such a shortage. During the Iranian Revolution in 1979 and Iraqi invasion of Kuwait in 1990, the Kingdom purposely increased its supply in order to replace Iranian, Iraqi and Kuwaiti oil. Bahgat (2003) describes the Kingdom’s response to shortages as ‘... an insurance policy against temporary shortages in world oil supplies’ (p. 456), while Saudi Oil Minister, Ali al-Naimi, depicts his country’s behaviour as one that ‘...consistently champion[s] the cause of price moderation’ (*Federal News Service* 22.04.02).

2.2.2 *The PRC*

This sub-section begins with a historical background of the Five Principles of Peaceful Coexistence, which have been guiding Chinese foreign policy for almost six decades. Evidence of the Chinese government's commitment to promoting and upholding these principles will be assessed and some new dimensions regarding these principles will be examined. The analysis of the new dimensions is based on three key speeches given by Premier Li Peng, President Hu Jintao and Foreign Minister Yang Jiechi. The word 'principles', which is frequently mentioned in the following assessment, refers to the Five Principles of Peaceful Coexistence.

Some scholars have examined the historical context of the term 'the Five Principles of Peaceful Coexistence'. Fifield (1958) argues that Lenin, Stalin and Khrushchev had used the term. He highlights Stalin's work in 1925, indicating the use of the term by the Soviet leader:

...our world, the world of socialism, is becoming more and more closely welded, more united;...because of this...there arouse that temporary equilibrium of forces that put an end to war against us, that ushered in the period of "peaceful coexistence" between the Soviet state and the capitalist states, (Stalin in Russell H. Fifield 1958 p. 504).

Regarding the 'Five Principles', Fifield claims that the term is 'first found' in the India-China Agreement on Trade and Intercourse between Tibet Region of China and India, which was signed on April 29, 1954. Commenting on the use of the same term, the former Secretary General of the UN, Boutros Boutros-Ghali, states that the Five Principles '...are not new' (2004, p. 373) and that principles, with the exception of the last principle (peaceful coexistence), had already been mentioned in the UN Charter.

The Five Principles of Peaceful Coexistence are the five principles of Chinese foreign policy, which consist of: mutual respect for each state's territorial integrity and sovereignty; mutual non-aggression; mutual non-interference in each state's international

affairs; equality and mutual benefits; and peaceful coexistence (note: the term ‘Peaceful Coexistence’ is one the principles of the ‘Five Principles of Peaceful Coexistence’). The India-China Agreement on Trade and Intercourse between the Tibet Region of China and India (signed on April 29, 1954), the Sino-Indian Joint Communiqué (signed on June 28, 1954) and the Sino-Burmese Joint Statement (signed on June 29, 1954) endorsed the implementation of the Five Principles of Peaceful Coexistence in Chinese-Indian and Chinese-Burmese relations. The leaders of the Asian countries who had subscribed to the principles attempted to persuade the delegations at the 1955 Bandung Conference to accept them (the principles). During the final communiqué of the conference, the Declaration on the Promotion of World Peace and Co-operation was signed. All of the delegations from 29 Asian and African countries adopted the principles (Vang 2008), yet they omitted the term ‘peaceful coexistence’ in the Declaration and replaced the term with ‘live together in peace’ (Fifield 1958).

The Four Modernizations and the Open Door policy that the Chinese government had introduced would benefit from the Five Principles of Peaceful Coexistence. In February 1978, Chinese Premier, Hua Guofeng, had introduced the Four Modernizations, which was intended to make China a “modern and powerful socialist country”. The Four Modernizations consisted of the modernization of agriculture, industry, national defense and science and technology. In December of the same year, the Third Plenary Session of the 11th CPC Central Committee introduced the Open Door policy, which aimed to facilitate the Four Modernizations. China needed the market, investment, trade, commercial dealings, technologies and resources of foreign countries (Vang 2008).

China’s Constitution and the speeches of Chinese leaders during their visits to foreign countries showed that the government firmly adhered to the principles. In the Preamble of the Constitution, the Chinese government stated that the principles were the bases that guided the policy of the country. The Constitution stipulates that ‘China adheres to an independent foreign policy as well as to the five principles...in developing diplomatic relations and economic and cultural exchanges with other countries (*BBC Summary of*

World Broadcast 06.12.82). The speech of Premier Hua Guofeng, who visited Britain in November 1979, reflected the strong faith of the Chinese government in these principles. He stated: '[w]e will, as always, actively develop friendly relations with all countries on the basis of the five principles of peaceful coexistence...' (*BBC Summary of World Broadcast* 05.11.79). In May 1980, Premier Hua Guofeng delivered a 'Commemoration Lecture' in Tokyo and reaffirmed the use of the principles in Chinese foreign relations, stating, 'We steadfastly hold to five principles of peaceful coexistence in our relations with other countries' (*BBC Summary of World Broadcast* 31.05.80). The 6th General Secretary of the CCP, Hu Yaobang, who visited Australia in April 1985, stressed that the application of the principles in the relations between the countries could promote peace and cooperation. Hu Yaobang stated:

...once these principles are followed, countries with different social systems can live in amity and cooperate for each other's benefit. If these principles are violated, even countries with similar social systems may come into sharp confrontation or even armed conflict. (*The Xinhua General Overseas News Service* 16.04.85)

In the 1990s, China's top leaders continued to project the Five Principles of Peaceful Coexistence as important to the foreign policy agenda. Premier Li Peng, who visited Moscow in April 1990, stressed the significance of the principles in creating a new order for the country when he stated, '[r]egarding the Five Principles of Peaceful Coexistence as the general norms governing international relations, China stands for the establishment of a new international political and economic order based on these principles' (*Xinhua General News Service* 23.04.90). In a speech to Saudi delegates in November 1999, President Jiang Zemin highlighted the importance of the principles in fostering China's foreign relations, stating, 'We are committed to developing, on the basis of the Five Principles of Peaceful Coexistence, friendly relations and cooperation with all countries in the world and have made unremitting efforts in maintaining world peace and stability (*Xinhua News Agency* 02.11.99).

During the 96th Inter-Parliamentary Conference in September 1996, Premier Li Peng presented six key elements of China's foreign policy, which are seen as a range of variations of the Five Principles of Peaceful Coexistence. Comprehensive and diverse, these elements underlined Chinese relations with different groups of countries. One of the elements, which called for the preservation of world peace, reflected China's increasing role within the international system.

The first element involved maintaining independence, which was associated with China's non-alliance with any major powers. China's policies and stances were, it was said, based on the value of specific issues and were not influenced by the major powers (Ministry of Foreign Affairs of the People's Republic of China 2003).

The second element was to maintain world peace. In doing so, China refused to become involved in arms races or military expansion. China was against hegemonism, aggression and expansion and strongly opposed foreign intervention in the domestic affairs of other countries. This was based on the principle of human rights as well as religious and ethnic issues (Ministry of Foreign Affairs of the People's Republic of China 2003).

The third element consisted of upholding friendly relations and cooperation. Premier Li Peng stressed the significance of Five Principles of Peaceful Coexistence in Chinese foreign policy. He also emphasised that China's relations with foreign countries were not led by ideologies and social systems (Ministry of Foreign Affairs of the People's Republic of China 2003).

The fourth element was comprised by good-neighbourly and friendly relations. It was stressed that China established friendly relations with its neighbouring states, encouraged economic cooperation and promoted peace and stability in the region. Negotiations and consultations were the mechanisms undertaken to resolve border and territorial disputes wherein the Chinese government called for the seeking of a common ground and rejected

the notion of irreconcilable differences (Ministry of Foreign Affairs of the People's Republic of China 2003).

The fifth element was to enhance unity and cooperation with developing countries. This element would continue to serve as the core component of China's foreign policy. China attempted to develop comprehensive friendly relations and cooperation with these countries and sought mutually complementary cooperation in different sectors. Aiming to safeguard the rights and interests of the developing countries, China also used consultation and cooperation in addressing international issues (Ministry of Foreign Affairs of the People's Republic of China 2003).

The sixth element was an 'opening policy' under which China's cooperation with developed and developing countries was characterised by mutual benefit and equality. Cooperation was vital for common development since China intended to establish 'a new fair and equitable international political and economic order based on peace and stability' (Ministry of Foreign Affairs of the People's Republic of China 2003).

Some significant indicators in the 2000s have portrayed the continuing commitment of the Chinese government to apply the Five Principles of Peaceful Coexistence in its relations with foreign countries. Among these indicators were the revised Constitution of the Communist Party of China, which was approved during the 16th CPC National Congress on November 14, 2002 and a 'Report on the Work of the Government', which was delivered by Premier Zhu Rongji on March 5, 2003. The New Year's message of President Hu Jintao on December 31, 2010 served as another useful indicator. The President asserted, 'I would like to take this opportunity to reaffirm that China will continue to hold aloft the banner of peace, development, and cooperation; remain committed to the independent foreign policy of peace,...actively develop friendly exchanges and mutually beneficial cooperation with all countries on the basis of Five Principles of Peaceful Coexistence...' (*BBC Monitoring Asia Pacific-Political* 31.12.10).

In a speech given by China's Minister of Foreign Affairs, Yang Jiechi, at Chatham House in December 2007, three objectives of China's foreign policy were clearly stated. The objectives, which were based on a new development in the international system, promoted a tight link between security and economic aspects and reflected the nature of the post-September 11 international system. The minister also stressed some variations of China's principles of foreign policy.

The first objective was that of peaceful development, which highlighted China's initiatives to develop itself within a peaceful international environment and included the strategies through which world peace could be secured and maintained. The notion of peaceful development was considered to be a strategy that suited China's need to espouse 'socialism with distinctive Chinese features' (Chatham 2007 p. 4). China also stressed the importance of cooperation, which served as a mechanism for securing peace and development. As the minister stressed, 'we are committed to peaceful, open and harmonious development' (Chatham 2007 p. 4).

The second objective of China's foreign policy was the win-win strategy of opening up. The opening up of the country encouraged China's active engagement in trade and economic cooperation and spurred economic development. China underwent an unprecedented development of political, economic, social and cultural relations with other countries and was deemed as a powerful engine of Asian economic growth. The Chinese government claimed that the opening up policy was 'based on mutual benefit, mutual complementarity and mutual assistance'. It did not deprive 'the interest of other countries' and took into consideration 'the legitimate concern of other states' (Chatham 2007 p. 4).

The third objective of China's foreign policy was to build 'a harmonious world of enduring peace and common prosperity'. This objective served as the basis for China's

peaceful development and its origin, it was said, was reflected in the cultural tradition of China. A harmonious world implies China's willingness to become 'a responsible member of international community' and to cooperate with other states so as to preserve peace and prosperity.

As a long-term objective, the creation of a harmonious world would require 'persistent and painstaking' effort. It involved a process that required every country to advance its common interests, forge broad consensus and build cooperation in overcoming any challenges. In addition, the creation of a harmonious world entailed the process of complex interaction between different cultures and civilizations along with effective cooperation to benefit the strength that each country possessed. This interaction would ultimately promote common prosperity and development.

Minister Yang Jeichi outlined the principles that could be considered as new dimensions of the Five Principles of Peaceful Coexistence. They seemed to underpin the fulfilment of the above-mentioned objectives. The principles were categorised into the aspects of politics, economics, security, culture and environment. In politics, China urged all countries to respect one another, seek fair consultation as a means of reconciling differences and acknowledge the right of each state to practice their individual social system and development strategy. China also called upon all states to cooperate in advocating democracy within the international system, which meant that each state could enjoy the right to equal involvement in world affairs.

In the area of economics, cooperation and joint effort between countries were to be established based on their relative strength. With this initiative, a 'balanced progress of economic globalization' could be achieved, thereby allowing every state to eventually reap economic benefits. In the aspect of security, all states were urged to develop mutual trust, deepen cooperation, use peaceful means to end disputes and closely collaborate in preserving and sustaining peace and stability within the world. In the cultural aspect, each

country was advised to 'learn from each other', intensify their common ground and acknowledge diversity. In the environmental scope, all countries were to work together to protect the environment (Chatham 2004).

Conclusion

While the King has full authority over the foreign policymaking of Saudi Arabia, China's Politburo Committee (PSC) has the capacity to approve the policies of the country on the basis of consensus. Thus, Saudi foreign policymaking is more centralised than that of China. The reason for this is that in Saudi Arabia, the King is the only actual decision maker when it comes to such policy, although he may consult with the senior princes of the royal family. In contrast, in China, the PSC includes nine high-ranking officials from the CCP, who are directly involved in making policy decisions.

Chapter Three

Development of Sino-Saudi Relations during the Cold War, 1949-1989

Introduction

The aim of this chapter is to provide the historical setting for the development of Sino-Saudi diplomatic relations. The analysis is divided into three different periods: 1949–1965, 1966–1977 and 1978–1989. All three periods have a similar structure; each one systematically studies China's foreign policies towards the superpowers of the Cold War, Middle Eastern countries and the Kingdom of Saudi Arabia. During the period between 1949 and 1965, China advocated a 'lean-to-one-side' approach in its relations with the USSR and the US, and it expanded its presence in the Middle East by establishing diplomatic relations with some of the countries in the region.

The period between 1966 and 1977 saw a strain in China's relations with the USSR, whereas its relations with the US were set to normalize. The nature of China's relations with the Middle East began to change. In the 1960s, China fostered ties with some regional liberation movements. In the 1970s, China developed relations with the governments of some Arabian peninsula and with some Middle Eastern countries such as Kuwait, Oman and Yemen. From 1978 to 1989, China gradually improved its relations with the superpowers. One of the main reasons for the improvement was the need to accelerate the domestic economic reform led by Deng Xiaoping. Within the same period, China's relations with the Middle East were largely influenced by events and conflicts in the region. In the context of China's relations with Saudi Arabia, the analysis attempts to identify strands of consistency between the Chinese and Saudi foreign policies over the Soviet invasion of Afghanistan, the Iran-Iraq war and the conflict in Lebanon. The analysis also focuses on the major factors that contributed to the establishment of diplomatic ties between China and Saudi Arabia.

With regard to the application of a theoretical conception of Sino-Saudi relations, the characteristics of complex interdependence did not exist before 1978. However, the bilateral relations between the two countries during the period 1979–1989 began to exhibit some of the necessary elements.

Some of the key aspects of constructivist theory were reflected in the development of Sino-Saudi relations between 1949 and 1989. The norms of the social structures of the two countries exerted a significant influence on their policy behaviour (Note: a social structure consists of three components: shared knowledge or shared understanding, material resources and practice). Policy on both sides was being formulated on a very different basis, reflecting the different social structures.

3.1 The PRC and the KSA prior to the Cultural Revolution of China, 1949–1965

The PRC was established at the end of the 1940s. At the beginning of the Cold War era, the PRC built its relations with the superpowers using a “lean-to-one side” approach, favouring the USSR. In the 1950s, the PRC and the USSR reached an important treaty that was intended to be the cornerstone for building strong bilateral relations over the following 30 years. The PRC’s relations with the US were naturally hostile as a consequence.

The 1955 Bandung Conference positively affected the PRC’s relations with some of the Middle Eastern countries. Syria, Egypt, Yemen and Iraq established diplomatic relations with the PRC as a result. The conference did not, however, change the policy of Saudi Arabia towards the PRC. Saudi Arabia maintained close relations with the ROC.

Unlike later periods, the US dimension does not impinge on Saudi Arabia’s contacts (or relatively little contact) with China in this period (1949-1965). This is reflected in the

participation of both countries (Saudi Arabia and China) in the 1955 Bandung Conference. The perspective of the countries attending this conference was that the US was one of the imperial powers. The PRC and Saudi Arabia were, therefore, loosely linked together in a perspective which was unfavourable to the US. It is true that Saudi Arabia and the PRC had not established diplomatic links at this time, but this was due primarily to the anti-communist paranoia on the Saudi side. There is no evidence that this Saudi position stemmed from US pressure.

3.1.1 The PRC and the World

The Chinese civil war of 1949 secured communist victories in China. Mao Zedong established a communist regime on mainland China and officially proclaimed the PRC on October 1, 1949. The civil war saw the Chinese Nationalist (Kuomintang) government headed by Chiang Kai-shek defeated, and he and other nationalists escaped to Taiwan (Formosa). The Soviet Union granted recognition to the PRC government on October 2, 1949, and other communist countries followed the lead of the USSR.

The PRC adopted a 'lean-to-one-side' approach in its relations with the Soviet Union, aiming to strengthen China's position at the international level. On February 14, 1950, the two countries concluded a Treaty of Friendship, Alliance and Mutual Assistance, effective for 30 years. Under this agreement the Soviet and Chinese governments consented not to go against each other either in the form of individual acts or alliances with other parties.

Throughout the 'lean-to-one-side' period, PRC-US relations were hostile and increasingly resentful. The Korean War in 1950 worsened the relations (Chen 1979). The Chinese saw the US deployment of massive military troops (in addition to troops of sixteen other countries) as a form of American imperialism. The Chinese government, therefore, mobilized 200,000 troops into the fray and finally defeated the troops led by the US (Smith 1998 p. 60).

In the mid-1950s, China began to build good relations with the third world countries because of the tendency of the Soviet Union to compromise with the US. China viewed the Soviet–US conciliation attempt as an effort contradicting the principles of international communism that resisted imperialism and colonialism. China participated in a meeting of 29 countries from Asia and Africa in Bandung, Indonesia (known as the Bandung Conference), April 18–24, 1955, which laid the foundation for the Third World Movement in particular during the Cold War period. The movements within some of these countries were characterized by anti-colonialism and non-alignment (Young 1999 p. 139). Not only did the participants of the conference discuss and agree upon the ‘... five principles of cooperation...’, but also they criticized ‘... racialism, colonialism, external intervention and bloc politics...’ (Young 1999 p. 139).

3.1.2 The PRC and the Middle East, 1949-1965

The Delhi Conference, April 6, 1955, in New Delhi, laid the foundation for the first Afro-Asian Solidarity Conference held at Bandung. There was no such the Bandung conference was previously hosted among African and Asian countries. In the Bandung conference, China attempted to seek a common ground with the other participants that constituted one Communist state (North Vietnam), ‘twelve neutral countries, and fifteen anti-Communist states’(Chen 1979 p. 15). Although these countries upheld and adopted ideologies and social systems completely different from China, remarkably, the spirit of anti-imperialism had brought together twenty-nine leaders of Asian and African countries. Chinese Premier, Zhou Enlai, had strongly expressed his concern over the implications of colonialism as experienced by many countries in Africa and Asia.

Premier Zhou Enlai and Prince Faysal Ibn Saud conferred at this conference: The discussion was prompted by the Saudi government’s refusal to grant entrance visas to the PRC’s Hajj delegation to Makkah in 1953 (Shichor 1989). Klein and Clark (1971) state that this discussion led to the first official PRC-originating Hajj, led by Da Pusheng and

Ma Yuhuai (Chinese Muslim leaders) in July of 1955 (in Shichor 1989 p.3). An interesting point to highlight here is that Da Pusheng had been chosen to accompany Premier Zhou Enlai to the Bandung conference.

Although China and Middle Eastern countries already had limited contacts prior to 1955, the Bandung conference seemed to mark the real beginning of relationship between the two sides. The Bandung Conference also indicated a turning point for the wider involvement of China in international relations, complementing its strong commitment to its ally, the Soviet Union. At this conference, Chinese and other Asian country leaders cemented personal relationships as well as the basic foundation of state-to-state relations (Chen 1979 p.16). In 1956, China initiated diplomatic relations with three Middle Eastern countries: Syria, Yemen and Egypt. These countries withdrew their recognition of the ROC. The trade relations between China and these countries grew substantially. Shichor (1979) states that China and Egypt concluded a Sino–Egyptian trade agreement, allowing China to buy ‘... half a million kantars of cotton from Egypt ...’ and sell ‘... 60,000 tons of steel ...’ to Egypt (in Harris 1993 p.90). China also offered loans to Egypt and Yemen of USD 5 million and USD 16.4 million, respectively (Harris 1993 p.90). Diplomatic relations between China and Iraq, established in August 1958, saw bilateral relations quickly deteriorate in the ensuing year. The demise of this relationship occurred when the Iraqi government blamed China for supporting a communist-led uprising in Mosul and Kirkuk in July 1959.

Chinese relations with Middle Eastern countries between 1961 and 1965 came to a standstill. As Shichor argues, the standstill reflected the PRC’s lack of commitment to winning the goodwill of Arab states, a changing Chinese perspective on world political development, and a Chinese shift in attention to newly independent African countries. From 1958 to 1962, China established diplomatic relations with ten African states.

3.1.3 The PRC and the KSA, 1949-1965

The period (1949–65) saw no significant political and economic relations between China and Saudi Arabia. Goldstein argues that Saudi Arabia had contact with the PRC at the Bandung Conference, yet it chose to maintain its close friendship with the ROC at that time. This stemmed from an anti-communist sentiment that was fully embraced and broadly shared (2004, p.240).

Minimal contact between the PRC and the KSA occurred during the Hajj mission. Burhan Shahidi (Bao Erhan), an important Muslim figure during initial Chinese contacts with Saudi Arabia, received an invitation at the second Hajj delegation in 1956 to meet with King Saud. Shichor claims that this event had some significance because the Kingdom had made no effort to recognize the PRC. Burhan Shahidi managed and supervised Chinese Hajj delegations through to 1964, up to the Cultural Revolution.

3.1.4 The Republic of China (ROC) and the KSA, 1949-1965

Establishment of ROC–KSA relations took place on October 26, 1939, with the opening of the first ROC Consulate in Jeddah (seven years after the foundation of the KSA in 1932). The establishment of this Consulate stemmed from a religion purpose, and the first Chinese Vice Consul was Wang Shih-Ming (Haji Saad Abdulrahim Wang), a Muslim teacher and scholar who had a degree from al-Azhar University in Cairo. His role primarily dealt with ‘... sundry matters ...’ and it was intended that no ‘... legal or official document could be relied upon’ (Ma 1988 p.37). At this stage, Saudi Arabia had no official institutions in the ROC due to the Kingdom’s political instability. The ruler of Saudi Arabia faced internal issues such as conflicts among tribes, disputes over boundaries, and the legislation of national laws and decrees.

On November 15, 1946, the ROC and Saudi government concluded a Treaty of Amity signed by H. E. Sheikh Youssif Yassin and H. E. Cheng Ye-tung, respectively. Under this

treaty, seven articles detailed the governing of bilateral relations: maintaining and strengthening the relationship of the two countries, ensuring peace and amity between both governments and their people, and offering these governments and people broader relations, especially in economic aspects. A distinctive and specific provision of this treaty delineated the development of diplomatic relations between the ROC and the KSA. However, issues of domestic political instability and regional security delayed efforts at opening embassies. During this time, China was engulfed in a civil war (1946–49), which required the ROC to develop and maintain strong relations with the United States, whereas Saudi Arabia's focus was a development of Zionism in the region. A direct consequence of the Chinese civil war on the ROC was budget constraints that eventually led to the closing of its Vice Consulate office in Jeddah (Ma 1988).

Communist rule over the mainland of China led to the flight of Chinese Muslims from the northwest provinces (Sinkiang, Ch'inghai and Kansu) to Saudi Arabia, Turkey and Taiwan. An estimated 10,000 Chinese Muslims left their homes for Saudi Arabia from 1949 to 1954, escaping from '... the tyrannical suppression of religion by the Communist regime in the mainland' (Ma 1988 p.58). In considering this acute crisis, the Saudi government allowed some Chinese Muslim émigrés to live in its territory; it then gave permission for the reopening of the ROC's Consulate in Jeddah on February 26, 1956. The establishment of the embassies highlighted in the 1946 Treaty of Amity took place the following year.

The period of the civil war had triggered social, economic and political turmoil in China and caused Chinese Muslims to abandon performing the Hajj. However, during the Hajj season in September 1949, General Ma Pu-Fang (the first ambassador of the ROC to Saudi Arabia) and his colleagues from Taipei eventually arrived in Makkah. A number of Hajj missions followed after the postponement of the first official Hajj journey of the ROC in 1953. The latter failure was associated with the delay of administrative procedures. In 1954, the ROC Hajj delegation, led by Yolbuz Khan, was signified the first official ROC Hajj mission.

3.2 The PRC and the KSA during the Cultural Revolution, 1966–1977

This sub-section will examine Chinese relations with the superpowers during the period between 1966 and 1977, and the Chinese Cultural Revolution, seen as one of the contributing factors that significantly affected the relations. China's relationship with the Soviet Union became strained, while performing some rapprochement actions towards the US, which later led to diplomatic relations in 1979. This sub-section will also assess Chinese relations with Middle Eastern countries. Communist ideology and the Cultural Revolution created a distance between China and the Arab Gulf states. The nature of Chinese relations in the region, however, began to change. In the 1960s, China supported some national liberation movements in the Middle East, but in the 1970s China began to give support to the Omani and Yemeni governments in the region. Regarding PRC–Saudi Arabia relations, this sub-section will focus on policies of Riyadh and Beijing towards the issues of the Middle East, the superpowers and Taiwan, seeking to assess the extent to which there was some commonality of policy.

It remained the case over this period (1966 to 1977) that US influence played no significant role with respect to Saudi Arabia's relations with China. These, indeed, were years when Saudi relations with the US were far from settled. In 1967, for example, a 'limited rift' between the two countries occurred. In 1967 and 1973 the Kingdom put in place oil embargoes against Western countries. A rapprochement between the US and the PRC in 1971 was, moreover, a clear sign that Washington and Riyadh policies towards Beijing were moving along different lines with regard to China. Riyadh kept its distance from Beijing and did not begin to build official contacts with the PRC until almost two decades later. King Faisal assured the ROC in 1971 that his country would not pursue the US approach if Washington normalized its relations with Beijing.

3.2.1 The PRC and the World, 1966-1977

The Cultural Revolution. Anti-capitalism and anti-imperialism were at the heart of Mao's Cultural Revolution. Mao identified signs of capitalist values reflected in the party's senior leaders. His fear was also driven by events in the Soviet Union, where Khrushchev had implemented a de-Stalinization program and accommodated his country with the West. This development, in Mao's view, could lead to abandoning the communist state. Mao was fearful for the future of his legacy if leaders not interested in his revolutionary movement and later inherited government leadership posts (Lumbers 2007). To confront this fear, Mao launched the Cultural Revolution. As Breslin argues, this revolution implied strong resistance against the '... signs of evil Western and capitalist decadence, and "revisionist" behaviour' (1998, p.161). It also meant that the PRC had to maintain a socialist economic base, impeding any progress towards capitalism.

The implementation of this revolution, however, took its toll in the lives of the Chinese people. The radical reforms lowered the standard of China's modern school system, with major implications for the educational system of the country. The revolution, moreover, ruined the unity of the party. 'Hundreds of thousands of leaders, from President Liu Shaoqi to much humbler officials, lost their posts, were tortured and killed' (Calvocoressi 2001 p.137). The forming of the Red Guard signalled young Chinese people's confrontation with senior officials.

Not surprisingly, the US received criticism in the early phase of the revolution. Throughout this period (at the beginning of the Cultural Revolution and before the rapprochement with the US), China repeatedly emphasized the main target of the revolution: a revoking of '... the world order dominated by the U.S. imperialists' (Jian 2001 p.241). China deemed the US responsible for dividing China through its support for the Kuomintang since 1949, and for taking China into '... the abyss of national humiliation in modern times' (Jian 2001 p.241). The scenario inflamed a strong public

sentiment of anti-Americanism among the Chinese, which Mao then echoed in an effort to legitimize his revolutionary ideas.

Sino–Soviet Split. The de-Stalinization campaign in the USSR began to create a rift in Sino–Soviet relations from the later part of the 1950s. The situation deteriorated after 1965, when the two countries increased their military presence at their jointly border. From 1968 to 1969, the governments dispatched hundreds of thousands of troops to the border. With the rise of the Cultural Revolution in China, moreover, the resentment between the two countries had turned into hatred, and they severely criticized one another for being ‘... a traitor to true communism’ (Jian 2001 p.240). General Secretary of the Soviet Communist Party, Leonid Brezhnev, lambasted Maoism as ‘those people who would like to bind the chains of a new slavery around the young national states’ (Freeman 1998 p.85).

The Vietnam War. Despite great turbulence in its domestic political, economic and social systems, China actively engaged in the Vietnam War (the Second Indo-China War). It had remained supportive of the Hanoi regime since the defeat of the French in Vietnam. Apart from aiding the development of air defences and railroads, China dispatched a huge number of its troops to North Vietnam.

The Vietnam War raged for more than ten years. The involvement of the United States in this war (1965–75), began with assistance to South Vietnam and its support of Ngo Dinh Diem, the first president of South Vietnam. Communist guerrillas, who received full support from North Vietnam, attacked Diem, and the guerrillas later established a National Liberation Front (the Vietcong). Instability in South Vietnam increased and grew further so after the assassination of Diem.

The motivation behind the involvement of the US in the Vietnam War, which commenced fully during the administration of President Johnson, involved implementing

a containment policy, demonstrating its imminent victory over wars of national liberation, and protecting its ally. On October 12, 1967, Dean Rusk declared that the involvement of the US in Vietnam was intended to limit the expansion of China's power in Southeast Asia (Yafeng 2006 p.238). The American military presence then expanded. This development later motivated China to bolster its support for the communists in Vietnam.

The war had a serious impact on US military ability and hurt the US economy through high inflation. US troops lacked experience in guerrilla war, and a total of 58,000 US service people were killed in the war. With the election of Richard Nixon as president, a gradual withdrawal of the 540,000 US military forces from Vietnam took place. The signing of the Paris Settlement in January 1973 led to a complete withdrawal of American troops from Vietnam in March of the same year.

US–China Détente. Three main factors contributed the détente between China and the US, introducing an era of Sino–American friendship. The first factor, a strategic or geopolitical aspect, was the serious deterioration of Sino–Soviet relations. Both sides were antipathetic to the Soviet Union. In January 1969, President Nixon stressed a fundamental change in US policy objectives, stating, ‘After a period of confrontation, we are entering an era of negotiation’ (Yafeng 2006 p.239).

The second factor involved the impact of the Cultural Revolution which was no longer so great since 1969 (Jian 2001). Mao conveyed an important message that the revolution had ended with a closure of the Cultural Revolution Small Group in the late winter of 1969. The setback for the US in the Vietnamese War was the third factor. China gained confidence that it could defend its interest against the US.

In February 1972, President Nixon visited China and met with Mao. This historic event led up the signing of the Shanghai Communiqué between President Nixon and Premier

Zhou Enlai. After the visit, the leaders of the two countries carefully considered the rapprochement agenda. We should note that Mao was determined to re-establish US–China relations because he wanted to secure China’s legitimacy among the major powers of the world (Pollack 1991).

The Vietnam cease-fire in January 1973 facilitated considerable progress in US–China relations. The establishment of liaison offices in both capitals further established official relations. January 1, 1979, saw Sino–US diplomatic relations eventually established and marked the switch of the US diplomatic recognition from Taiwan to the PRC and recognize Beijing as the legitimate government of China.

Another great accomplishment in the history of China’s foreign relations took place in the 1970s: the recognition of Beijing as the legitimate government of China in the UN.

3.2.2 The PRC and the Middle East, 1966–1977

During the Cultural Revolution, the relations of China with countries in the Middle East became increasingly strained. These relations ‘... had already gone from bad to worse...’ immediately after the revolution began (Shichor 1979). China recalled most of its ambassadors in Arab countries, from the end of 1966 through to the middle of 1967. The Syrian government asked seventeen Chinese students to leave the country. As the result of the latter act, Al-Manar newspaper (28.01.67) as summarized by Shichor (1979) reported that Chinese in Budapest had attacked the car of the Syrian ambassador there. In Egypt, Al-Hayat newspaper revealed that Egyptian officials derailed the Chinese plan of staging demonstrations at the embassies of the Soviet and East European states (in Shichor 1979).

Communist ideology and the Cultural Revolution inevitably created a serious gap and discouraged the cultivation of bilateral relations between China and the Arab Gulf states.

The Gulf States paid little attention to and perhaps distanced themselves from China due to Chinese communist ideology, which Calabrese considers as ‘alien ... to most Gulf Arabs and Iranians ...’ (1992, p. 471). Moreover, the implementation of the Cultural Revolution involved the persecuted of Muslim minorities in the country, which created a negative perception on the part of the Gulf States toward China (Calabrese 1992 p.472).

In 1969, China began to restore its relations with the Arab governments and sought to establish moderate relationships. China’s ambassadors were sent back to Syria (June 1969), Yemen (July 1969), Egypt (June 1970), Iraq (December 1970) and South Yemen (1970) (Shichor 1979 p.148). Nonetheless, an inherited mistrust shadowed Sino–Arab relations.

In this period, China took a close interest in the liberation movements in the Middle East, despite its recently established bilateral relations with some of the Arab governments. China viewed these movements as involved in struggles against imperialism and aggression. It referred specifically to the people’s armed struggles in Palestine and Dhufar. As radical factions, these movements identified themselves as embracing ‘... the proper ideology ...’, and replicating ‘... China’s ideology and past revolutionary tactics’ (Rubin 1999 p.108).

We can classify the relations of China with the Middle Eastern region into two types: government-to-government relations and government-to-the-national-liberation-movement relations. The government-to-government relations included Sino–Arab, Sino–Egyptian, Sino–Syrian, and Sino–South Yemeni relations. The relations of the government to the liberation movements included the Israeli–Palestinian conflict and the Dhufar Liberation Front. In general, in the 1960s, Chinese foreign policy warmly welcomed the role of national liberation movements. In the 1970s, China shifted its support from the national liberation movement to the governments.

A significant shift took place in Chinese policies towards Middle Eastern countries in the 1970s. China began to act on the basis that the solution for Arab conflicts lay in the hands of the Arab governments themselves (Xiaoxing 1992). As Calabrese has emphasized, the shift towards such policies began in 1971, which is explained by a number of factors in the international and regional contexts.

In the international context, these changes were linked due to the Chinese government's analysis of the superpowers' status quo. China now saw the Soviet Union as its chief enemy and a threat to its security. Calabrese argues that the hostile Sino-Soviet relations made China re-assessed the importance of changing its relations with the Gulf States. The US had agreed to improve its relations with Beijing and to decrease its military presence in Southeast Asia. Looking at this development, China opened a new era of diplomatic relations with the US. Beijing and Washington normalized bilateral relations, and China began to characterize its foreign policy as anti-Soviet. The PRC's entry into the UN was also critical. China began to develop stable relationships with Arab states that saw Beijing successfully resisting the influence of both superpowers. The Arab states anticipated that China could promote peace and security in their region. China was attempting to be 'a natural member of the Third World', and therefore able to become a 'model' that opposed the domination of the superpowers (Harris 1993).

As for the regional context, China no longer gave emphasis to the importance of the liberation movements in resisting the superpowers in the Middle East. In fact, China now based its policies on the idea that only the governments in the Middle East could lead a successful effort to liberate the Middle East from superpower hegemony and patronage; The Chinese government assessed the governments had the potential to prevent the hegemony of superpowers in the region in a better fashion than individual movements did (Shichor 1979 p.1989).

3.2.3 The PRC and the KSA, 1966-1977

3.2.3.1 Commonalities and Differences between the PRC and the KSA on Middle Eastern Issues

Beijing and Riyadh foreign policy objectives towards Egypt and Yemen closely paralleled each other, aimed at resisting Soviet power in the two countries. On Palestinian Liberation Movements, Chinese and Saudi policies were somewhat different: the two countries had different objectives in supporting the liberation movement. China and Saudi Arabia employed different, but ultimately similarly cautious approaches to the rebel groups in Oman. With regard to the emergence of nationalism and communism in the Middle Eastern region, Riyadh and Beijing pursued incompatible policies.

Egypt. Saudi Arabia and China became concerned with Egypt's strategic position: they helped develop Egyptian military capability and supported moves away from Soviet influence. King Faisal was said to have persuaded Sadat not to purchase military equipment from the Soviet Union. Saudi Arabia paid for weapons that Egypt had acquired from the West (Lackner 1978). China greatly welcomed Sadat's decision to expel Soviet advisers and the break of the Egyptian–Soviet Friendship Treaty in 1976. This development was followed by a military protocol between Beijing and Cairo. A report in the New York Times stated that China supplied 30 engines for MIG-17 and MIG-21 fighter bombers to Egypt (*New York Times* 23.04.76).

We should note that Saudi Arabia strongly sought to limit the growth of Arab nationalism due to the ideology's posing threat to the monarchical system of the country. In the context of Saudi Arabia and Egyptian nationalism, Lackner views the Egyptian loss in the June 1967 war as a victory for Saudi Arabian and other royal families (1978). Lackner states: 'The good days of Arab nationalism ended with the Israel attack' (1978, p. 116).

Palestinian Liberation Movement. The basis of Saudi and Chinese support of the Palestinians, while solid, differed greatly. Their political stance towards the Israel–Palestinian conflict, nonetheless, was somewhat similar. On the basis of support for Afro-Asian nationalism, China gave its commitment and support to the Palestinian liberation movement. In 1967, China granted its recognition to the PLO as an independent movement in the Arab world and actively promoted and urged this movement to adopt the people’s war in their ongoing struggle against the imperialist powers. China also offered medical supplies, weapons and military training to the movement.

As for Saudi Arabia, its firm support and deep commitment to the Palestinian movement grew mainly from religious considerations rather than nationalism. During the reign of King Faisal, the Kingdom committed itself to the return of occupied land from the Jews to the Muslims. Such concern, as Lackner stresses, ranked as the highest priority of the King, who earnestly strived for the return of Jerusalem, one of Islam’s holiest cities, to the Muslims. With this particular concern, Lackner further argues, the King paid scarce attention to the solidarity and liberation of Palestinian. Soulie and Champenois also emphasized that Islam served as the main factor, with no political and economic factors taken into consideration: ‘The affair of Israel and usurped Palestine is neither political nor economic. It is an affair putting in question the basics of Islam’ (in Ochsenwald 1981 p.276). An incident involving the burning of the al-Aqsa mosque in Jerusalem in August 1969 provides an example highlighting the key importance of Islam in the Kingdom’s policy towards the Palestinian issue. King Faisal urgently called for a summit meeting among the Arab states. In the past, he had showed reluctance to host such a meeting although Egypt and Jordan had insisted on a meeting after experiencing the serious failure of the UN to withdraw Israeli troops from occupied lands (Galvani et. all. 1974 p.16).

Nonetheless there were elements of similarity in the policies adopted by China and Saudi Arabia on the Palestinian movement. The two countries insisted that this movement should focus on the main course of their struggle. Financially supporting al-Fatah, Saudi

Arabia insisted that the movement should not create any problems with the Arab states and that it avoid meddling in the domestic issues of and causing any conflicts with the Arab states (Galvani et. all. 1974 p.16). China had also stressed that this movement should focus their struggle on Israel (Disney 1977).

The oil embargo in the aftermath of the October War of 1973 gained Chinese support for Saudi Arabia and the Arab countries in general. Again, the underlying message of the support reiterated the opposition to external powers. Harris argues that China offered its 'enthusiastic support for the Arab oil embargo' in 1973 (1993, p.133), with the New China News Agency claiming that oil was 'a powerful weapon of the third world people' (in Harris 1993 p.133). Having this strategic weapon, the Arab people could defend their state sovereignty and challenge the supremacy of the imperialists and hegemonic countries. Led by Saudi Arabia, the embargo signified an aggressive response to continuing American support for Israel in the October War of 1973.

Yemen. Saudi Arabia and China both, in different ways, resisted Soviet influence in Yemen. Saudi Arabia supported the new government of the Yemen Arab Republic (YAR) and identified Yemen as a conservative republican regime. The Saudi leaders contended that the regime could serve 'as a counterbalance to the People's Democratic Republic of South Yemen' (Vazil'ev 1998 p. 378). Meanwhile, Saudi Arabia took a strong stand against the People's Democratic Republic of Yemen (PDRY), especially after the National Front gained power in South Yemen on June 22, 1969. The National Front had declared the implementation of 'Soviet-style socio-political changes' (Vazil'ev 1998 p. 379). After conflict erupted between Saudi Arabia and the PDRY in 1969, Saudi Arabia emerged the winner.

China's support for the Yemeni independence struggles took place before the departure of British power from Aden in 1967. After 1968, the PDRY served as a competitive market for Chinese and Soviet military hardware. China granted recognition to the PDRY

and generously offered various kinds of assistance. In July 1969, China opened an embassy in Aden. China was also said to have provided political support to the “People’s Democratic Republic of Hadhramaut”, established in South Yemen and led by Faysal al-‘Attas. This entity, which was effectively ‘a Maoist enclave’ (Harris 1998 p.115), lasted for only two months since it was banned and later demonstrated its loyalty to the government of the National Liberation Front.

YAR interests with both Saudi Arabia and China were successfully promoted and maintained. Saudi Arabia recognized the YAR on July 23, 1970, and concluded a joint defence agreement in March 1971. Throughout the 1970s, the Kingdom’s influence in the YAR grew. Its rapprochement with the YAR buttressed Yemeni relations with the US. The YAR’s relations with the Soviet Union, however, gradually deteriorated (Vazil’ev Vazil’ev 1998). China opened its embassy in Sana’a in 1969, successfully maintaining China–YAR relations throughout the 1970s. China received occasional visits from the Yemeni Mufti, hosted by the Chinese Islamic Association.

In terms of ideology, Saudi Arabia indirectly opposed China because the Kingdom rejected communism. China and Saudi Arabia, however, both opposed the Soviet Union and used different forms of assistance as a weapon to combat Russian influence. In March 1972, with the National Front declared the sole political party of the PDRY, the latter applied ‘the principles of scientific socialism’ in its activities. This development aroused mounting opposition from Saudi Arabia toward the PDRY leadership. The Marxism of the PDRY challenged the Saudi government. In the same year, a border clash took place between YAR and PDRY. Four years later, Saudi Arabia established diplomatic relations with the PDRY, having realised it could not topple the South Yemeni regime. Saudi Arabia subsequently granted a loan to the PDRY, anticipating that the latter would withdraw its active support to the People’s Front for the Liberation of Oman.

In the 1970s, China offered PDRY a USD 43 million loan mainly for road construction in South Yemen. In November 1974 and 1975, two top leaders of PDRY visited China. After President Ali fell from power in 1978, China criticized the PDRY for its closeness to the Soviet Union; the Soviets received consent from the PDRY to develop naval and air bases on Socotra Island (Harris 1998 p.159). The influence of the Soviet Union in Yemen became ever-stronger.

Oman. Chinese involvement in Oman underwent significant changes over this period; it shifted from support of the rebel group to support for the government of Oman. In 1968, China gained significant influence over Omani rebels who adopted a Marxist-Leninist ideology. The rebels opposed the Sultan and later identified themselves as the Popular Front for the Liberation of the Occupied Arab Gulf (PFLOAG). China provided specific training for the members of PFLOAG. The rebels followed the model of Chinese revolutionary experience and Maoism (Harris 1998 p.117). China also reportedly offered financial, food, medical and military assistance to the rebel groups in Oman (Harris 1998 p. 117). China, however, later modified its traditional approach in dealing with PFLOAG: it came to promote stability in the Gulf instead of revolution. In 1973, China broke off its contacts with PFLOAG, and in May 1978 it developed an official relationship with the Omani government.

Saudi Arabia maintained its government-to-government relations with Oman, yet it offered only limited assistance to the Omani government. Following the visit of Sultan Qabus to Riyadh on December 14, 1971, it established diplomatic relations between Oman and Saudi Arabia. In 1972, Sultan Qabus called for assistance from the Kingdom in fighting the rebel movements in Dhofar. However, King Faisal had little interest in this effort because open interference in Omani affairs was seen as contradicting the Kingdom's foreign policy of that time (Vazil'ev 1998 p.383).

3.2.3.2 The PRC, the KSA and the Superpowers

Several factors offered opportunity for the US to solve its major disagreement with China at this time. These factors included US exhaustion with the Vietnam War and the waning of the Chinese Cultural Revolution. In November 1968, Zhou Enlai proposed a resumption of the Warsaw meetings with the new US leader, President Richard M. Nixon. However, this meeting did not materialise. Cohen argues that Lin Biao and Chiang Ch'ing could have influenced the decision to call off the meeting because they rejected a moderation of Chinese foreign policy with the US (1980, p.239).

In July 1969, trade and travel restrictions previously imposed against China since the Korean War were eventually lifted, and the patrol of the Seventh Fleet in the Taiwan Straits also ended. The removal of US nuclear weapons in Okinawa was positive news for China. Garner (1982) indicates that during the Second Plenum of the Ninth Central Committee in August and September 1969, Mao Zedong affirmed China's commitment to moderate its relations with the US (in Huwaidin 2002 p.64).

Between 1971 and 1972, China and the US showed commitment to the establishment of bilateral relations. In April 1971, Beijing received American table tennis players and high-level American officials. The visit of these players was known as 'ping pong diplomacy', and contributed significantly to the initial development of Sino-US relations. In July 1971, American National Security Advisor, Henry Kissinger, arrived in Beijing. Three months later, the PRC became a member of the UN and occupied all the ROC's positions in this organization. In February 1972, President Richard Nixon visited Beijing. The visit resulted in the Shanghai Communiqué in which both parties looked forward to normalizing relations. Diplomatic liaison offices at the ambassadorial level opened in both capitals in 1973.

In the period between 1973 and 1976, the two countries underwent a leadership change, and this development elicited a mixed response to the rapprochement initiative. At the

end of 1976, moderates' keenness to pursue Zhou Enlai's policies became predominant in China. They advocated strengthening China's anti-Soviet policies and supported a positive relationship with the US. From 1976 to 1977, President Jimmy Carter was giving serious consideration to the Strategic Arms Limitation Talks (SALT) with the Soviet Union, and therefore, Cohen (1980) argues, the president 'had no sense of urgency' in pursuing a Sino-US détente.

The two countries also emphasized that neither side would attempt to secure a hegemonic position in the Asian Pacific, and they agreed to resist any effort of any other country attempting at a hegemony. This decisive move, as mentioned by Huwaidin, purposely intended to impede growing Soviet hegemonic power in the region (2002, p. 64).

As for US-Saudi bilateral relations, these gradually moved towards a special relationship – although with some difficulties. In June 1966, King Faisal visited the US seeking assistance over the Yemen. However, the US offered no commitment. In the following September, the US agreed to supply vehicles for the Saudi armed forces worth USD100 million (Grayson 1982 p.97). In June 1967, Saudi Arabia, Iraq and Kuwait suspended oil shipments to the West. This signified a hostile reaction to the West's support for Israel in the 1967 war. Grayson (1982) described this situation as 'a limited rift' or a 'minor discomfort' between the US and Saudi Arabia (p.98). The US declared 'an oil emergency' due to the interruption of oil supply which carried implications for US troops in Vietnam. On September 2, 1967, however, the Kingdom resumed its oil shipments to the US.

A perfect blend of security and economic interests underpinned the growing relationship between the US and Saudi Arabia. In 1969, the US increased the supply of military weapons to the Kingdom. Two factors motivated this: the need to improve the US trade balance with Saudi Arabia and the need to ensure an uninterrupted and reliable oil supply from the Middle East to protect the interest of American domestic oil suppliers. The US

gave a major priority to the development of the Kingdom's internal security and intensified bilateral military links; training a growing number of Saudi military personnel.

In 1973, the two countries met a tough challenge in the region. This soured, but subsequently strengthened their bilateral links. In 1973, Saudi Arabia led the imposition of an Arab oil embargo against the West. King Faisal declared this embargo on October 17 soon after the US offered to supply USD 2.2 billion in weapons to Israel (Long 1985 p.118). With this situation, US Secretary of State, Henry Kissinger, became acutely aware of the importance of Saudi Arabia in various dimensions: Saudi Arabia could secure Arab support for the Arab-Israeli peace process, ensure an uninterrupted oil supply at an affordable price to the West, and address the US balance of payment through the constant demand for US technology and services.

Long (1985) describes the US–Saudi relationship after the Arab oil embargo of 1973 as ‘the special relationship’. The two countries recognized clearly the necessity of pursuing their mutual interests. Saudi Arabia required ‘the special relationship’ with the US specifically for its security interests. It based this calculation on its anxiety over the constant threats from Zionism and communism. The US had an ability to suppress ‘Soviet-supported and inspired radical expansionism’ and to call Israel for to account compromising peace initiatives.

The Israeli–Palestinian conflict demanded effective cooperation between Saudi and US leaders. Crown Prince Fahd improved US–Saudi political, economic and security relations, and proposed the establishment of a US–Saudi Joint Commission. In January 1977, the new US president, Jimmy Carter, showed a willingness to deal with the Palestinian issue, a sentiment shared by Crown Prince Fahd. The Crown Prince sought overall Arab support to request on the US to asserting its influence on Israel. Crown Prince Fahd persuaded PLO leaders to accept United Nations Security Council (UNSC) Resolution 242. His effort looked likely to succeed when the chairman of the PLO,

Yasser Arafat, conveyed his approval for the proposal. Yet the situation suddenly changed when the PLO Executive Committee voiced its disagreement at the last hour, causing disappointment and embarrassment for Saudi Arabia (Long 1985 p.120).

3.2.3.3 The PRC, ROC and KSA

Taiwan continued to enjoy strong relations with Saudi Arabia, as seen in the large number of bilateral official visits throughout this period. These visits also signified the diversity of their cooperation, ranging from cultural, economic, trade, and technical to agricultural. Anti-communism signified a primary and common concern for Taiwan and Saudi Arabia. Saudi policy actions in defending Taiwan against the communist mainland will be focused in this sub-section.

The ideological factor infused Saudi foreign policy towards Taiwan. The Kingdom advocated a policy that heavily favoured the interest of Taiwan, on the ground that it was fighting against communism. In January 1971, King Faisal and Shih Wan-Ying, a chief of the ROC Hajj mission to Jeddah, held a dialogue wherein the King delivered his commitment to fight against communism and to support the ROC. 'Now we are facing two major enemies-Communism and Zionism. ... Your country and ours have common interests, and share the responsibility of protecting the peace and justice. ...We believe that you will surely eliminate the Communists and recover the China mainland at an early date. ...' (Ma 1988 p.96).

King Faisal extended his unwavering support to Taipei, and assuring the country that the Kingdom would not follow the footsteps of the US if the latter normalized its relations with the PRC. On May 17, 1971, King Faisal made a state visit to Taipei. During this visit, the King emphasised a number of important points, including full support for and a sharing of common objectives with the ROC in struggling against communism. The King assured the president that Saudi Arabia would not grant any recognition to the PRC. This

visit signified the Kingdom's commitment to preserving diplomatic relations with the ROC (Ma 1988 p.123)

In 1971, President Nixon announced Kissinger's visit to Peking, which attempted to normalize relations between the US and the PRC. The PRC gained UN membership, and occupying a permanent seat in the UN, on October 25, 1971, while the ROC was removed from membership. Although this situation brought humiliation to the ROC, the US retained its diplomatic relations. Eventually, the ROC terminated the diplomatic relations, and this was followed by the establishment of trade centres and cultural centres - as in other countries that had granted the PRC such recognition (Crozier and Chou 1977 p.384).

Despite the death of the two great leaders, King Faisal and President Chiang Kai-Shek, in 1975, the bilateral links remained strong. The shared interest between the two countries continued. On July 10, 1977, Saudi Arabia received a state visit from the new Taiwan president, Yen Chia-kan. The president emphasized a shared belief in anti-communism. In a speech delivered during this visit, King Khalid (successor to King Faisal) also guaranteed a continuation of cooperation between the two countries and ensured that the ROC would receive an adequate oil supply. The King also conveyed his satisfaction with the ROC's assistance in industrial and construction sectors in Saudi Arabia (Ma 1988 p.129).

3.3 The PRC and KSA, 1978-1989

3.3.1 The PRC and the World, 1978-1989

China actively promoted and pursued its policy objectives – 'the five principles of peaceful coexistence' and 'opposition to hegemony' – in its bilateral relations with the major powers in the period between 1978 and 1989. The PRC officially received

diplomatic recognition from the US on January 1, 1979, and yet the Taiwan issue still stood as a huge barrier in their bilateral relations. With regard to China's relations with the Soviet Union, the Beijing-Moscow relationship began to improve after having experienced strain and tension for approximately 20 years. The two countries officially normalized bilateral relations in 1989 and politically and economically fostered mutual cooperation throughout the decade. The central focus of the following analysis is the development of China-American bilateral relations and the re-establishment of China-Soviet relations in the 1980s. Since the economic agenda was one of the underlying factors in China's relations with the major powers, the economic reforms in China will be emphasized. The Chinese economy underwent major developments when Deng Xiaoping introduced an 'open door policy' and his Four Modernizations program.

3.3.1.1 The PRC and the US

The Washington policies on the Taiwan issue constantly challenged the US-Beijing relationship. In 1979, Washington passed the Taiwan Relations Act (TRA), which authorised the resumption of American military aid to Taiwan as well as the development of US-Taiwan economic, political and cultural links. The new US president, Ronald Reagan, did not accept the legitimacy of the 1971 Shanghai Communiqué and was determined to supply Taiwan with US military arms (Tucker 1991 p.87).

In the ensuing years, nonetheless, the Reagan administration gradually improved its relations with Beijing because it believed that Beijing had the ability to limit Soviet power. To initiate this significant change and improvement, Washington had to redesign its policies towards Taiwan in an attempt to quell a long-standing controversy with the PRC. On August 17, 1982, the two countries issued a joint communiqué that outlined China's clear commitment to achieving reunification with Taiwan through peaceful means. The US also gradually decreased its arms sales to Taiwan. However, the US technological transfer to Taiwan was still taking place, and this development encouraged the production of advanced military weapons in Taiwan (Tucker 1991 p.87).

Deng Xiaoping recognised the importance of deepening China's relations with the US, which mainly stemmed out of a need to accelerate domestic economic reform. China intended to take full advantage of the advanced technology of the US in order to pursue and support its Four Modernizations program (Hunter and Sexton 1999 p.184). Since the establishment of the Beijing-Washington relationship, the US had been one of the major investors in China. At the same time, China's trade volume to the US had been progressively increasing.

3.3.1.2 The PRC and the Soviet Union

In April 1979, the Fifth National People's Congress decided not to renew the Treaty of Friendship, Alliance and Mutual Assistance between China and the Soviet Union that was ratified on February 14, 1950 and would expire on April 11, 1980. This decision given as justification as a direct response to the expansionist policy and hegemonic behaviour of the Soviet Union (*Xinhua General News Service* 04.04.79). In the same year, China also attacked Vietnam (the Soviet's ally), an action clearly putting China in confrontation with the Soviet Union.

As a response to the Soviet invasion of Afghanistan in 1979, Deng Xiaoping called upon all countries to criticise the Soviet expansionist policy. He strongly condemned the Soviet Union for destabilizing the international system, and stated, 'the Soviet Union is the main source of a turbulent international situation and a threat to peace and security' (*Xinhua General News Service* 08.01.80).

In 1982, however, Deng Xiaoping began to see the need to improve China's relations with Moscow and he indirectly stated this intention: 'it is imperative to take a big move'. The reason China favoured this approach was due to the gradual weakening of Soviet power in Afghanistan since the 1979 invasion. In rebuilding its relations with Moscow,

China needed to overcome three principal obstacles: the huge presence of Soviet military troops on the Sino-Soviet and Sino-Mongolian borders, the Soviet support of Vietnam, and the Soviet invasion of Afghanistan (*Xinhua General News Service* 20.02.98).

In 1986, the First Vice Premier of the Soviet Union, Nikolai Talyzin, stressed the accelerated development of Sino-Soviet political relations. He stated that joint political consultations had frequently occurred between the two countries (*Xinhua General News Service* 21.09.86). In trade, the two countries had achieved fully satisfactory progress. From 1986 to 1988, the bilateral trade between the two countries accounted for 20 percent of China's total trade. By 1989, the Soviet Union had become one of China's main trading partners (*Xinhua General News Service* 11.05.89).

During the Sino-Soviet Summit in May 1989, Deng Xiaoping officially announced a normalization of Sino-Soviet relations. The Soviet government reportedly pledged that the new Sino-Soviet relationship would see neither a repeat of their relations in the 1950s nor the open confrontation witnessed between the two countries in the 1960s and the 1970s. The two countries also pledged not to interfere with the relations each had established with other countries (*Xinhua General News Service* 18.01.89).

3.3.1.3 The PRC and Economic Reform

The Chinese economy had previously been framed around a planned economic system, which had been markedly influenced by Soviet policies on economic development, particularly during the Stalin era, and by Maoist notions of the Great Leap Forward and the Cultural Revolution (White 1988 p. 82). When Deng Xiaoping came into power, China's economy began to change. Deng, who was widely known as 'the chief architect of China's economic reform' (Bader 1997 p. 71), started to transform the Chinese economy into a socialist market economy. His popular slogan was 'market economy with socialist characteristics'. Deng pursued his economic reform agenda, though it was criticised by orthodox Party officials who were concerned that the reforms would

minimize the Party's influence over the economy and introduce foreign influence into the country (Bader 1997 p.71).

In December 1978, Deng Xiaoping announced an 'open door policy', seen a viable strategy in liberalizing Chinese domestic economy. This new policy invited new trading partners from the West, stimulated a massive flow of foreign investments and business into the country, and involved access to foreign resources, technology, and expertise (Bader 1997 p.71). More autonomy was given to public and private companies, allowing the economy to act on market forces rather than carrying out the government's command (Bader 1997 p.71).

Deng launched the Four Modernizations program for China's economy, which mostly focused on the modernization of China's agriculture, industry, national defence and science and technology. It was argued that the success of this modernization rested on four fundamental principles: 'socialist path, people's democratic centralism, communist party leadership, and Marxism-Leninism-Mao Zedong Thought' (Chang 1988 p.48). The program was originally conceived by Zhou Enlai and was later presented in a Report on the Work of the Government in January 1975. Zhou Enlai claimed that the idea had begun to grow in 1964, and had drawn support from Mao (Goodman 1994 p. 81).

Modernization in the Industrial Sector. The extensive changes of the industrial sector were reflected in enterprises, labour, and price control. The changes were made necessary by a domestic economic environment characterized the following factors: an increasing number of small and household enterprises which continually posed a competitive threat to state enterprises; foreign investors preferring to hire unemployed people rather than those who were working with the state enterprises; and the Chinese government becoming aware of the heavy cost of price control. Thus, Deng Xiaoping decided to end the price control system in the following year (Cheung 1998 p.126).

Modernization in the Agricultural Sector. The Chinese government introduced a ‘responsibility system’ in the agricultural sector, which aimed to reform the ‘collectivist agrarian structure’ that had been in effect since the Mao era (Blecher 1988). In the new system, a contract was concluded between the government and a household or an organization. The individual would be entirely responsible for the production activities and would pay dues (taxes) to the government and collect the remaining income.

The government implemented affirmative-action policies to assure the ultimate success of this reform. Nevertheless, some socialist elements still remained. The government enforced the ‘depoliticization’ of the rural economy by eradicating all class labels, dividing the political and economic institutions, and ending the commune system (Blecher 1988). The government also introduced some restrictions in the early part of 1980s, yet these were then gradually removed (Cheung 1998 p.126). A responsibility system within China, on the other hand, also retained and respected the rights of state over the land, which signified that socialist ideology was being espoused. This system could be depicted as the dominant element of Deng Xiaoping’s concept of ‘socialism with Chinese characteristics’.

Modernization in Science and Technology. Research and Development (R&D) was being conducted extensively since technology served as the backbone of China’s modernization of industry, agriculture, and national defence (Conroy 1988 p.128). The Chinese government offered attractive incentives to the foreign firms in order to increase the influx of foreign technology into the country.

Modernization in National Defence. The People Liberation’s Army underwent some significant changes. Its military doctrine, previously known as the ‘people’s

war’, changed to the ‘people’s war under modern conditions’. The modernization of Chinese National Defence will next be observed from two functional aspects: military personnel and military technology.

As a strategic move towards the professional development of the military forces, the modernization program was designed to enhance necessary qualifications among members of the PLA, and to diversify and increase the army’s roles. Military officers, moreover, were required to graduate from military academies, and maximize ‘the use of electronic and laser simulation appliances, and automated command system’ (*Xinhua General News Service* 23.06.87).

In describing China's military strength, the Minister of National Defence, Zhang Aiping, agreed that China's military technology was comparatively low, stating, ‘we are far behind the developed countries in terms of the quality of weapons’ (*Xinhua General News Service* 23.06.87). However, the positive achievements of the PLA since the implementation of the reform, he said, were remarkable. The Minister stated: ‘Now, China has built its own defence research and military production systems, and has solved problems with the weapons, both conventional and sophisticated, for its ground troops, navy and air force, as well as in strategic nuclear missiles’ (*Xinhua General News Service* 23.06.87).

3.3.2 The PRC and the Middle East, 1978-1989

China remained an ardent supporter of the Palestinian cause and the Arab countries in fighting against Israeli occupation. Its support took various forms, including financial and military assistance. China had built a strong link with Palestinian movement and therefore, denied ‘unfounded rumours’ about it having relations with Israel. However, at the end of the 1980s, China began to establish informal relations with Israel. The Chinese relationship with Arab countries directly involved in the Arab-Israeli conflict. In the context of the Iran-Iraq war, the Chinese government took a neutral and anti-war

position. The Chinese leaders denied the sale of China's weapons to Iran, although it was frequently claimed that China had been engaged in such business with both sides.

3.3.2.1 The Arab-Israeli Conflict

China and Palestine. Over this period, the Chinese government maintained its strong stand, or giving its full backing to the Palestinians and (until the end of the period) rejecting relations with Israel. China maintained constant contact with Palestinian officials and movements. The political delegations of the two sides frequently made exchange visits. In a meeting with a delegation of the Palestine National Council in November 1979, Chairman Hua Guofeng outlined 'China's three-point principle' in resolving the Middle East issue and stated: 'the Palestinian people must realize their national rights ... ; the people of the Arab countries must recover their lost territories; the Middle East question must be solved in an all-round, impartial way' (*Xinhua General News Service* 22.11.79). Giving his support to the Palestinians, the Chairman said, 'your struggle will surely be crowned with victory so long as you close your ranks and keep on fighting. Your cause is just, and a just cause is impregnable' (*Xinhua General News Service* 22.11.79).

In August 1980, the Chinese government released a Communiqué regarding the Arab-Israeli conflict wherein it expressed its intention to pursue China-Palestinian military cooperation and enjoined Israel to grant the rights of Arab states and Palestinians. The communiqué called for possible joint efforts in developing a 'militant friendship' between the Chinese and the Palestinians; called on Israel to evacuate the occupied Arab lands and to recognise the rights of the Palestinians and their state; and expressed condemnation over Israeli aggression and expansion (*Xinhua General News Service* 27.08.80).

The Chinese government and associated organizations offered political, financial and military support to the Palestinians. The All-China Federation of Trade Unions and the

China Youth Federation were among the societies that provided this financial support (*Xinhua General News Service* 04.10.85). In November 1987, the Communist Party of China (CPC) and the Palestine Communist Party established official relations (*Xinhua General News Service* 28.11.87).

China and Israel. Israel had been working to forge bilateral relations with China, and yet this effort was in vain: China rigorously upheld its decision not to engage in official relations with Israel, though Israeli authorities had sought American assistance in expressing Israel's intention to develop a Sino-Israeli diplomatic relationship in the late 1970s. China's Deputy Foreign Minister, Song Zhiguang, dismissed an unsubstantiated rumour that China had entered into relations with Israel. He claimed that this rumour was intended to cause profound disagreement between China and the Arab states. The Minister reiterated the Chinese posture towards Israel and reinforced the continuing reluctance of the Chinese government to establish bilateral contact with Israel. He stated, 'We are resolutely opposed to the Israeli practice of aggression and expansion against Arab States and its occupation of a portion of Arab territory. Since the 1950s, Israel has sought contact with us but has met with our categorical refusal' (*BBC Summary of World Broadcasts* 10.05.79).

In 1985, Chinese Foreign Minister, Wu Xueqian, denied a rumour concerning political, economic and military relations between his country and Israel. He said that this claim was a 'groundless' report of the media (*Xinhua General News Service* 16.12.85). Furthermore, China's President, Yang Shangkun, laid down a specific condition if Israel wanted to develop diplomatic relations with China: 'China could only consider establishing diplomatic relations with Israel when the Jewish state changes its present intransigent policy' (*Xinhua General News Service* 19.12.89).

In July 1985, the spokesman for China's Foreign Ministry refuted a wide-spread rumour that alleged secret arms deals between the PRC and the Israeli government. This rumour,

which was circulating in Western press reports, sought to damage Chinese relations with the Palestinian movements and the Arab states. He reiterated the Chinese government's decision not to cultivate any relations with Israel (*Xinhua General News Service* 31.07.85). In 1986, the Chinese government denied the purchase of Israeli weapons valued at USD 3 billion (*Xinhua General News Service* 10.12.86).

At the end of the 1980s, some developments did occur in Sino-Israeli contacts: the two countries established an unofficial contact for scientific and cultural exchange and an Israeli Academic Representation Office was opened in Beijing in 1988, which facilitated Sino-Israeli unofficial bilateral contact (*BBC Summary of World Broadcasts* 13.10.88). In October 1988, Israel Radio reported that an Israeli delegation would visit China, discussing the purchasing of Chinese coal. China would also despatch its first official trade, industrial and banking delegation to Israel in November of the same year (*BBC Summary of World Broadcasts* 14.10.88).

China and Egypt. When the Egyptian-Israeli Peace Treaty was ratified in 1979, China retained its bilateral relation with Egypt, rather than follow the Arab countries which suspended their relations with Egypt. China's Vice-Foreign Minister, He Ying, nonetheless, made it clear that China continued to support "the struggle of the Egyptian, Arab and Palestinian people". China's Foreign Minister, Wu Xueqian, asserted China's strong support of all efforts aimed at protecting '...the national rights of the Arab and Palestinian people...' (*Xinhua General News Service* 19.12.85).

The Egyptian Foreign Minister, Esmat Abdul Meguid, responded by hailing the Chinese call for Arab unity and saying that China and Egypt agreed to restore the rights of the Palestinians. He further claimed that Egypt would keep a critical eye on Israel though the two countries had reached a peace agreement.

Lebanon.

China advocated a zero-tolerance policy towards Israeli expansionism. China voted for the UN Security Council Resolution that condemned Israeli incursion into Lebanon in April 1980. In July 1981, China established diplomatic relations with Lebanon. The Vice Minister of Foreign Affairs, Zhang Canming, delivered a statement criticising of the Israeli attack on Beirut, a Palestinian camp, and the PLO offices (*Xinhua General News Service* 20.07.81).

When Lebanon was invaded by Israel in 1982, China strongly condemned the US and Israel. The Chinese government criticised the US because the latter was seen as a principal patron of the Israeli invasion. Through the *Beijing Review*, China also criticised Israel, believing that Israeli authorities would use Lebanon in a decisive step to seize further Arab lands (in Harris 1993 p.214), and repeatedly urged Israeli military troops to leave Lebanon. In addition, China's Charge d'Affaires in Lebanon, Yang Yihuai, extended the Chinese government's support concerning the bitter struggle of the Lebanese government and people in safeguarding the sovereignty of the country. China solidly backed the initiatives of Arab states in resolving the conflict in Lebanon.

Lebanon had its own internal and unresolved problem: the disunity and factionalism among the Lebanese and the conflict between the Shia community and the Palestinians. Against this backdrop, China kept calling for the conflicting parties in Lebanon to pursue a gradual integration, cease the ongoing war and reform Lebanese domestic politics. China appreciated the moves taken by the mediating committee of the Arab League, who attempting to solve the Lebanese issue. China hoped that the Lebanese could reconcile their differences and disputes so as to restore stability and achieve national unity (*Xinhua General News Service* 02.02.89)

Syria.

China's policy towards the Arab-Israeli conflict remained steady: criticizing Israeli aggression while defending the rights of the Arab states. In 1979, China lent its support to a Syrian effort to secure the return of the Golan Heights and other occupied areas. In 1982, China condemned Israel for its annexation of the Golan Heights, and favoured the imposition of UN sanctions against Israel. In 1985, China hailed Syria's efforts to force the withdrawal of Israeli troops from Lebanon, seeking a peaceful resolution of conflict among the groupings in Lebanon, and restoring stability within the country (*Xinhua General News Service* 18.12.85). In 1987, Chinese premier Zhao Ziyang expressed his appreciation of the constant struggle of the Syrian people fighting against Israeli aggression and US involvement in the Middle East.

3.3.2.2 Iran-Iraq War

China and Iran. The Chinese leader took a cautious stance on the Iran-Iraq war. In 1980, Premier Zhao Ziyang recognized the equal importance of Iran and Iraq to China, and said that these two countries were '...friendly countries to China...', and part of the third world. He expressed his hope that the two warring countries would diplomatically solve the conflict through negotiations (*Xinhua General News Service* 24.09.80).

China was said to be supplying Iran with '...anti-aircraft missiles, artillery pieces, anti-ship missiles, gun barrels and ammunition..' (*The New York Times* 19.05.87), conventional weapons and technology. Although some of these weapons were categorised as older, less expensive, and low-tech weapons, Chinese military technology was capable of producing non-conventional weapons, which were referred to as nuclear, biological and chemical weapons, and fears were raised about these.

Sino-Iranian arms transactions brought criticism from the US and the Arab states. When the US demanded a halt to arms exports to Iran, China was said to have ignored US

pressure (*Federal News Service* 12.09.96). In 1987, when the SS-N-2 missile was (it was reported) sold to Iran, an Arab League delegation visited China and exhorted the limit of sophisticated weaponry exports to Iran.

Chinese Premier Zhao Ziyang denied the accusation that China had been exporting its military weapons to Iran. The Premier said that no Chinese weapons or missiles were sold to Iran and claimed that China had focused on ending the Iran-Iraq war. Therefore, no arms that would hinder the ongoing effort towards this reconciliation would be secured. He said that appropriate measures were being enforced to prevent any of China's weapons from reaching Iran or Iraq (*Xinhua General News Service* 28.09.87).

China and Iraq. Relations between China and Iraq, begun in 1958, were actively fostered over this period. China's Foreign Minister, Wu Xueqian, stated that China-Iraq bilateral relations were part of the Chinese policy of opening up to the world and deepening its relations with third world nations. China sold its weapons to Iraq during the Iran-Iraq War. In 1981-82, China's arms exports to Iraq were comprised of bombers and tanks (*The New York Times* 19.05.87).

As noted above, China adopted an 'independent policy', and 'neutral stance' towards the Iran-Iraq War (Harris 1993 p. 221). In 1987, China urged a reconciliation between the two countries. In 1989, China's Foreign Minister, Qian Qichen, enjoined Iraq and Iran to break a lengthy deadlock in peace talks. To indicate China's position of fully supporting the UN peace initiative, the Chinese government pressed both warring states to adopt the UN (ceasefire) Resolution 598.

3.3.3 The PRC and the KSA, 1978-1989

The purpose of this section is to critically examine a number of key questions. The analysis begins by attempting to determine whether there was any consistency in Chinese

and Saudi foreign policies on the Soviet invasion of Afghanistan, the Iran-Iraq war and the conflict in Lebanon. The questions which follow are: How did the two countries cultivate bilateral and informal relations in the period before diplomatic relations had been established? Did the diplomatic relations between China and other Arab Gulf states positively encourage the establishment of Sino-Saudi diplomatic relations? Were there any reliable indicators that suggested the growing importance of Sino-Saudi economic engagement? Did Muslim communities in China play an important role in the development of Riyadh-Beijing relations? Finally, how did the Sino-Saudi missile deal accelerate the progress of establishing diplomatic relations?

The US-Saudi Arabian relations were critical, through negative reaction to the establishment of Sino-Saudi diplomatic relations. The US resistance to selling its Lance (ground-to-ground missiles) to the Kingdom was responsible for Saudi Arabia's acquisition of missiles from China. A detailed analysis of this development is a focus of one of the sub-topics covered in this chapter.

3.3.3.1 Similarities and Variations between China and Saudi Arabia's Middle East Foreign Policies

China and Saudi Arabia had similar perceptions over the Soviet invasion of Afghanistan and provided solid backing for the Afghans people, who fought against the Soviet troops. Although they lent their full support, China and Saudi Arabia considered different factors when shaping their policy behaviour towards Afghanistan. The two countries were criticized by the Kabul regime due to their alleged involvement in Afghan domestic affairs. At the end of the 1980s, however, China and Saudi Arabia gained immense satisfaction when the Soviet Union decided to withdraw its troops from Afghan soil.

If China took a neutral stance in the Iran-Iraq war, Saudi Arabia gave support to Iraq. To end the war, China and Saudi Arabia employed a common means: using a diplomatic channel to engage regional and international organizations to bring about peace.

Concerning the Lebanon crisis, China and Saudi Arabia urged the conflicting parties to solve the crisis and rendered various forms of substantial assistance to the Lebanese. The Chinese and Saudi policies towards Lebanon, laid stress on defending the sovereignty and independence of Lebanon.

The Soviet Union Invasion of Afghanistan. The Chinese and Saudi governments had a parallel perspective on the Afghan conflict. They vigorously rejected the Soviet invasion and heavily criticised the Soviet policy behaviour towards Afghanistan from a vantage point of international law. The Saudi government denounced a direct result of this invasion, namely the installation of a new regime. It said that the military intervention clearly violated 'international law and practices' since the Soviet Union had interfered in the domestic affairs of Afghanistan, denied Afghans their rights, and contravened the sovereignty and independent state of Afghanistan (*BBC Summary of World Broadcasts* 31.12.79). It also considered the new regime of Afghanistan to be an illegal regime because the People's Democratic Party of Afghanistan (PDPA) had deployed foreign military troops in order to gain power in the country (*BBC Summary of World Broadcasts* 08.04.81). Based on these justifications, the Kingdom eventually severed its diplomatic relation with Afghanistan in April 1981.

China's deep objection to the Soviet invasion emerged at many levels. Most criticism centred on the demand to restore the complete freedom of Afghanistan from foreign involvement. In December 1982, the Chinese People's Association for Friendship with Foreign Countries, and the Islamic Association of China, called for an unconditional withdrawal of the Soviet Union since the invasion openly flouted the UN Charter and international law, and denied the right of Afghan refugees to return to their land (*Xinhua General News Service* 25.12.82). In July 1983, Chinese Foreign Minister, Wu Xueqian, stressed that the retreat of Soviet troops would return the sovereignty and territorial integrity of Afghanistan (*Xinhua General News Service* 29.07.83). In November 1984,

the Chinese Permanent Representative to the UN, Ling Qing, also urged the departure of the Soviet troops and the independence and non-alignment of Afghanistan (*Xinhua General News Service* 15.11.84). Chinese President, Li Xiannian, said that the Afghan issue would be politically resolved if the Soviet forces were withdrawn from the country. He also emphasised that superpower rivalry was the key factor of the Afghan issue (*Xinhua General News Service* 05.03.84). The Chinese government, moreover, urged for the attainment of an 'independent, neutral and non-aligned' state of Afghanistan, and an unconditional and a complete departure of the Soviet forces (*Xinhua General News Service* 23.09.87).

The offering of unwavering support and solid backing to the Afghans during the period of the Soviet invasion reflected a common interest of Saudi and Chinese policies towards Afghanistan. This support, however, was built on different grounds; the Kingdom's policy was fostered by 'a spirit stemming from its Islamic position' (*BBC Summary of World Broadcasts* 08.04.81), whereas China was inspired by its own protracted struggle against hegemonic powers. Saudi Information Minister, Dr. Muhammad Abduh Yamani, viewed the Soviet infiltration of Afghanistan as an aggression against all Muslims. He stressed that the Kingdom would cooperate with other Muslim states in building up firm support and practical assistance to Muslims in Afghanistan. Dr. Yamani stated: 'We and the free people of the world, especially the Muslims and Arabs, will not remain silent about the aggression in Afghanistan' (*BBC Summary of World Broadcasts* 16.02.80). The Saudi support for the Afghan resistance was very much appreciated by the latter. In 1987, Golboddin Hekmatyar, the leader of Hezb-e Eslami, expressed gratitude for the Saudi role in leading the support of Islamic countries for the Mujahidin (*BBC Summary of World Broadcasts* 25.04.87).

China was known for its strong resistance against 'hegemonism and expansionism', and this basic principle clearly embodied the Chinese stance on the Afghan issue (*Xinhua General News Service* 21.02.85). The struggle of the Afghans against the Soviet troops

deserved 'sympathy and support' from countries and people who explicitly demanded justice and peace (*Xinhua General News Service* 23.12.87).

There were media reports of an alliance through which Beijing and Riyadh rendered essential aid and assistance to Afghans. An ABC News report claimed that an anti-Soviet alliance had been forged and joined by Saudi Arabia, China, Pakistan and Egypt. The alliance was said to have been cooperating with the US, and to have armed the resistance groups in Afghanistan with military weapons: 'Saudi Arabia provided additional aid, Egypt helped train the rebels, China agreed to facilitate the flow of arms to Afghanistan and also to supply hand-held SAM missiles and anti-tank weapons, and Pakistan agreed to allow the weapons to flow through its country at the rate of two plane loads per week' (*United Press International* 19.06.81).

The continuing support of the Chinese and Saudi governments to the Afghans was objected to publicly by the Kabul regime. This support was seen as meddling in Afghan domestic affairs and entering a war against the regime. In February 1985, China Permanent Representative to the UN, Ling Qing, rebuffed 'a note of protest' from the Afghan regime that accused China of interfering in Afghan domestic issues, waging 'undeclared war' against Afghan authorities, sending Chinese trainers and advisors to training sites in Pakistan, and moving some of the camps to China. Ling Qing said that these allegations were baseless, and were being used to purposely to divert world attention away from the foreign intervention in Afghanistan (*Xinhua General News Service* 23.02.85). As for the case of Saudi Arabia, in March 1989, the Ministry of Foreign Affairs of the Republic of Afghanistan lodged a protest against the Saudi government for recognizing and providing financial assistance for the interim government that was known to be 'a Wahhabi government of the people of Afghanistan'. Against this backdrop, the Kingdom was accused of waging an ongoing war that killed 'tens of thousands' of Afghans (*BBC Summary of World Broadcasts* 15.03.89). In the following month, the Kingdom explained that its support of the Afghan Mujahidin was in the form of humanitarian measures, food and medical assistance, and that it was

considered part of Islamic duty to help Afghan people seek their independence. The Kingdom denied its involvement in the Afghan war against the current Kabul government (*BBC Summary of World Broadcasts* 21.04.89).

The Chinese and Saudi governments hailed the decision of the Soviet Union to pull its troops out of Afghanistan. Saudi Arabia made a meaningful contribution to the settlement of the Afghanistan crisis, and become inevitably involved in the peace negotiation. Meanwhile, China was satisfied with the Geneva Accord and fully anticipated a successful political outcome in Afghanistan. China voiced its support of the accord, and viewed this progress as a 'positive development'. A Foreign Ministry spokesman viewed the accord as a significant victory for Afghans who had bitterly fought against the Soviet troops. The victory was also for those countries that upheld 'the established norms and values that regulated international relations' (*BBC Summary of World Broadcasts* 18.04.88). Li Peng also hoped that 'a broad-based coalition government' would be installed in Afghanistan (*Xinhua General News Service* 15.11.89). As for the case of Saudi Arabia, the Kingdom hosted a meeting between the Soviet First Deputy Foreign Minister, Yuliy Voronstov, and the Chairman of the Islamic Alliance of the Mujahidin of Afghanistan, Prof. Borhanoddin Rabani, in December 1988. In this meeting, the Soviet Union announced its fateful decision to withdraw its troops from Afghanistan. Yuli Vorontsov acknowledged the Kingdom's role in restoring peace in Afghanistan (*BBC Summary of World Broadcasts* 07.12.88). The Saudi government extended its clear appreciation regarding the withdrawal of Soviet troops and anticipated that this initiative would improve relations between the Soviet Union and the Islamic World (*BBC Summary of World Broadcasts* 11.04.89).

Iran-Iraq War. China did not indicate an alignment in the Iran-Iraq war, whereas Saudi Arabia adopted a strong position in supporting Iraq. The articulation of Beijing and Riyadh policy objectives regarding this war, moreover, were based on different approaches. Whereas China set its policy objective on the basis of a global perspective, Saudi policy stemmed from its regional perspective. The Kingdom supported Iraq on the

basis of 'Arab and Islamic ties (and)...neighbourliness'. Chubin and Tripp (1996) explain in their work that Saudi Arabia and other Gulf states believed that this war could make Iran aware of the limitation of its power, and thus become a peaceful state in the region. They wanted to prevent Iran from invading the states in the Gulf and the Arab World through its agenda of an 'Islamic Revolution'. The Chinese government, through its representative to the UN, Ling Qing, contended that there should be no fundamental and sharp differences between Iraq and Iran since the two countries were part of the third world. These countries, he added, should initiate 'peaceful negotiation' in order to end the war (*Xinhua General News Service* 13.07.82). It should be noted that the promotion of third world unity was one of the decisive elements of Chinese foreign policy. In December 1982, Premier Zhao Ziyang had put forward the concept of third world unity and two other underlying principles of China's foreign policy: 'opposition to hegemonism and defence of world peace; strengthening of solidarity and cooperation with other third world countries; and development of relations with various countries, including the United States and the Soviet Union, on the basis of the five principles of peaceful coexistence' (*Xinhua General News Service* 27.12.82). The Premier urged Iran and Iraq to quickly end their war.

The maritime navigation of the Gulf was of concern to both China and Saudi Arabia. The two countries noted that the security threat in the Gulf directly affected their trade. To counter the threat, Saudi Arabia and other Gulf states requested the presence of foreign military units at specific locations. By contrast, China insisted on an end to the war because it opposed the intervention of foreign powers in the region. The particular Sino-Saudi concern about the maritime security of the Gulf began with the tanker war that started in April 1984. Iraq had attacked the Iranian terminal located in Khark, and this was followed by an Iranian blockade on the Strait of Hormuz. Iran attempted to block tankers of the Gulf states that transported oil.

The attempted blockade carried negative implications for the Gulf economies, and, as a result, naval forces from the Western countries were sent to the area. In 1987, the Gulf

waters saw the presence of '40 American ships [carrying] 20,000 troops' (Furtig 2002 p.68). Ambassador Mi, China's Deputy Permanent Representative to the UN, articulated China's concern related to the attacks on both 'oil tanker and ships' that sailed across the Gulf region. The ambassador stressed the need to respect China's equal rights to use the high seas in the Gulf and to facilitate trade (*Xinhua General News Service* 02.06.84). In a meeting with the Iranian Foreign Minister, Ali Akbar Velayati, in Beijing, Chinese President Li Xiannian called for the ending of war so as to stop the superpowers' increasing involvement in the region. He insisted that only the 'countries along the Gulf coast' should engage in the resolution of the Gulf problem (*Xinhua General News Service* 13.06.87).

The Chinese and Saudi approaches to ending the war were rather similar. The two countries sought diplomatic avenues and the collaborative effort of members of international and regional organizations to achieve peace. The Kingdom used the Organization of the Islamic Conference (OIC) as a platform from which to seek a mediating role to end the war. In May 1981, the Kingdom led moves which established the Gulf Cooperation Council (GCC), forging a tight link among the six Gulf states who were not at war.

China remained firm regarding its 'neutral position' while encouraging the warring parties to initiate a reconciliation process. The Chinese government had high hopes that the two countries would take a 'conciliatory stand' to their conflict. The stand was seen as 'the only correct position for all the third world countries to adopt' (*Xinhua General News Service* 12.11.84). China's Foreign Minister, Wu Xueqian, stressed China's neutral position in the war and its serious commitment to establish peace in the region in order to deter their common enemies. Ambassador Li Luye remarked that the war would threaten regional 'peace and security' and become another 'destabilizing actor' for global development (*Xinhua General News Service* 08.10.86). He stated that the Chinese government consistently supported UN efforts to settle this dispute (*Xinhua General News Service* 04.04.85). China's Foreign Minister also expressed his grave concern over

the ongoing Iran-Iraq war and insisted that both parties prevent any actions that might escalate the heated dispute (*Xinhua General News Service* 14.08.86).

China voted in favour of the UN Security Council Resolution that demanded that the warring parties secure an immediate ceasefire and enter into peaceful negotiation. According to China's ambassador, Huang Jiahua, China worked diligently as a permanent member of the UN towards an effective termination of the war (*Xinhua General News Service* 20.07.87). In October 1988, during a meeting with Iranian deputy Foreign Minister, Mohammad Hussein Lavasani, China's Premier Li Peng voiced the Chinese government's contentment when Iran and Iraq accepted UN Resolution 598 and the ceasefire agreement (*Xinhua General News Service* 24.10.88). The Chinese government took part in follow-up discussions over this resolution.

Conflict in Lebanon. Both Saudi Arabia and China had diplomatic relations with Lebanon, and their support and cooperation with this country were built on a shared common ground; preserving of the sovereignty and independence of an Arab state. As for Saudi Arabia, its importance and role in resolving the Lebanese crisis was politically crucial. As argued by Haddad (1985), it was based on three guiding principles: 'the preservation of Arab unity and consensus, [the] freedom of Lebanon and all its communities, and the absolute right of the legitimate Lebanese government to decide what is best for Lebanon' (p. 98). Meanwhile, China reaffirmed its support for Lebanon on the ground of the just cause of the Palestinians and Arabs, who painstakingly fought for their 'rights, independence and sovereignty' (*Xinhua General News Service* 08.06.82).

Reconciling the differences and quelling the factional fighting required Saudi and Chinese actions which were of a similar nature. The Saudi government appealed to the Lebanese groups to end their dispute, and insisted on their seeking to practice common sense and self-restraint, as well as hold 'a constructive dialogue' among themselves. The Kingdom also pledged to help Lebanon in every aspect, including facilitating unity

among population (*BBC Summary of World Broadcasts* 09.04.81). On September 26, 1983, the Kingdom succeeded in mediating and concluding a ceasefire agreement among the conflicting parties. This development led to the next stage of national dialogue (Haddad 1985). Through China's Foreign Ministry, the Chinese government also appealed to the conflicting groups in Lebanon (the Lebanese Shiite 'Amal Movement and the Palestinian forces) to stop fighting and reconcile their differences through peaceful means (*Xinhua General News Service* 25.05.85). A new Chinese ambassador to Lebanon, Wu Shunyu, also urged these factions to observe their national interest in narrowing their differences (*Xinhua General News Service* 04.10.85).

Chinese and Saudi policy reactions towards Israeli invasion of Lebanon were developed in the following forms: the extension of strong support and firm commitment to Lebanon, the denunciation of Israeli expansionist policy, and the demand for Israeli withdrawal from Lebanon. The Chinese policy response towards the conflict was affirmative and consistent throughout the 1980s. In May 1981, China's Vice Premier, Li Peng, held a meeting with the Lebanese ambassador in Beijing, and voiced the concerns of his government and the Chinese people regarding the immediate situation in Lebanon, and expressed its sympathy for the suffering of the Lebanese and Palestinians. He further criticized Israel's aggression in Lebanon (*Xinhua General News Service* 13.05.81). In a statement delivered by the spokesman of the Ministry of Foreign Affairs in June 1982, the Chinese government, in the context of the UN resolution, denounced the Israeli invasion of southern Lebanon and Beirut, and demanded an unconditional and immediate withdrawal the aggressor (*Xinhua General News Service* 08.06.82). In August 1984, China's Ambassador to Lebanon, Yu Mengxin, reassured the Lebanese government that China would consistently maintain its stance demanding the retreat of Israeli military forces from Lebanon, and the restoration of the independence, sovereignty and territorial integrity of Lebanon (*Xinhua General News Service* 24.08.84). China's Vice-Foreign Minister, Qi Huaiyuan, China's first high-ranking official to arrive in Lebanon since the war began seven years earlier, also condemned Israeli aggression against Lebanon and called for the departure of Israeli troops (*Xinhua General News Service* 13.10.86). In

January 1988, China's Ambassador to Lebanon reasserted his government's posture of supporting the Lebanese government. The reiteration of the stance was an immediate response to the efforts of Selim al-Hoss, who lodged an angry protest against Israel at the UN Security Council. Al Hoss was the acting Premier and Foreign Minister of Lebanon (*Xinhua General News Service* 06.01.88).

Like China, Saudi Arabia condemned Israeli intervention and had already offered moral and technical assistance to Lebanon. In May 1981, for example, Saudi Arabia strongly criticized the Israeli aggression toward Lebanon. Simultaneously, the Saudi government reaffirmed its full support and firm commitment to empower legitimate Lebanese authorities and their Arab Deterrent Forces in preserving the independence, sovereignty and territorial integrity of Lebanon (*BBC Summary of World Broadcasts* 19.05.81).

There were a number of instances that showed how China and Saudi Arabia offered their financial, humanitarian and technical assistance to the Lebanese people. Their aid and assistance were substantial and reflected the generosity and goodwill of these two countries towards Lebanon. In June 1982, the Red Cross Society in China contributed '20 tonnes of medicine and medical instruments' to the Lebanese people (*Xinhua General News Service* 15.06.82). In February 1986, CYN 50,000 was sent to the Lebanese refugees in South Lebanon. This donation was made by China's Red Cross (*Xinhua General News Service* 04.02.86). Saudi Arabia also delivered financial aid to the development of various projects in Southern Lebanon, including some for health centres and clinics. An amount of 100,000 (Lebanese) pounds was also donated to spiritual, charitable and social organizations in Lebanon (*BBC Summary of World Broadcasts* 29.05.81).

3.3.3.2 Towards the Establishment of Intergovernmental Contacts

The visits and meetings between the Chinese and Saudi leaders and officials established unofficial relations between the two countries. These officials met at international events.

In the mid-1980s, however, informal Sino-Saudi relations were actively cultivated: the cooperation between the two countries progressively increased and contacts between the top-level officials were established. In 1988, the Chinese and Saudi governments eventually began to initiate collaborative efforts to develop diplomatic relations. After all, the direct contacts between the high-level officials of the two countries relatively involved a necessary element of complex interdependence (multiple channel) in the Sino-Saudi unofficial ties.

In the period 1978-1989, the basis for one of the characteristics of complex interdependence, (multiple channels), began to figure in Sino-Saudi relations: the high-level officials of the two countries gradually made direct contacts. In the early 1980s, they met at international events. In the mid-1980s, Chinese and Saudi leaders had more direct communication. At the end of the decade, some practical initiatives to develop diplomatic relations between China and Saudi Arabia began to take place. At the same time, the two countries secretly and actively negotiated the missile deal.

The meeting of Chinese and Saudi high-level officials in the early 1980s revealed that the two countries were successfully cultivating unofficial relations between them. The Saudi intention to improve relations with China by way of a sports arena was expressed by Prince Fahad bin Sultan bin Abdul Aziz, Deputy Minister of Social Affairs of Saudi Arabia. On November 15, 1981, a meeting was convened between the Prince and Xu Yinsheng, Vice-Director of China's National Sports Commission in Malaysia. The Prince expressed his hope that the football games held in Kuala Lumpur would '...further improve their relations' (*Xinhua General News Service* 16.11.81).

During the Cancun North-South Summit on November 17, 1981, as Tanzer (1982) highlights, Premier Zhao Ziyang was said to have shaken hands with Crown Prince Fahd (in Huwaidin 2002 p 218). This meeting was unofficial. The Kingdom subsequently reassured Taiwan that Saudi policy towards Beijing remained fully intact.

There was a high-level visit of Saudi official to China in December 1982. The intention behind the visit was to discuss regional issues and to ensure coordination over international organizations. Prince Sa'ud al-Faysal and seven other representatives from the Arab League made this visit, intending to explain the Palestinian problem and the result of the Fez Conference to the Chinese leaders. The Prince announced that this visit was worthwhile as the Chinese government would continue to extend its support to the Palestinian people (*Xinhua General News Service* 09.12.82).

The two countries intensified an indirect contact that aimed to fulfil an aspiration of the international organization. In August 1984, another visit was made by a Saudi prince, which had come about through an official invitation from the Chinese National Committee. Prince Talal said that this visit had to do with his capacity as a Head of the Arab Gulf Development and a special envoy to the United Nations Children's Fund (UNICEF). In other words, the visit's main focus was on the involved that reflected a certain degree of cooperation between UNICEF and the Chinese government (*Xinhua General News Service* 10.08.84).

In terms of reflecting the relations between Saudi Arabia and China, Prince Talal's statement seemed to indicate that the Sino-Saudi common concern for the children around the world would create an opportunity to understand the culture of the two countries. The Prince said: 'there is no better cause to bring our two cultures closer than our mutual concern for children throughout the world' (*Xinhua General News Service* 10.08.84). The Prince also underscored the public perception of Saudi Arabia towards China, stating, 'we in Saudi Arabia are considering China of the one billion as a friendly country' (*Xinhua General News Service* 10.08.84).

Signs of close contacts between Saudi and Chinese leaders could be observed from the middle of the 1980s, when the Saudi princes had more direct communication with the

Chinese leaders. The practical initiatives that the two countries undertook also seemed to encourage and promote the intensive efforts towards the establishment of diplomatic relations.

In a celebration of Oman's National Day in 1985, Saudi Crown Prince and first Deputy Prime Minister Abdullah ibn Abdul Aziz had a discussion with Chinese Vice Premier, Yao Yilin. They exchanged views on the issues pertaining to their particular concerns. The Chinese leader also extended China's appreciation regarding Saudi support for the Palestinian cause (*Xinhua General News Service* 19.11.85).

In 1987, several important events indicated a greater cooperation between the Saudi and Chinese high-ranking officials in the sport, science and trade sectors. In February, Prince Faisal met the visiting Chinese volleyball team and table tennis team in Riyadh. The Chinese teams had friendly matches with the Saudi teams (*Xinhua General News Service* 04.02.87). During the sports event, the Prince said that the Kingdom's team would make a return visit to China, which could lead to the establishment of 'bilateral sports relations' between the two countries (*Xinhua General News Service* 03.02.87).

In June of the same year, the 'Saudi Arabia - Yesterday and Today' exhibition was hosted in China, organized by Prince Salman Abdul Aziz, the Second Deputy Prime Minister of Saudi Arabia. Prince Sultan bin Salman, one of the Saudi delegates, expressed a hope that the Kingdom would establish scientific cooperation with China, especially in the area of space technology. He stated this during an interview with *Xinhua News Agency* (*Xinhua General News Service* 18.06.87). In November, at the invitation of Saudi Arabia, a Chinese entrepreneur delegation arrived in Riyadh and met with Prince Sultan bin Abdul Aziz. The Prince emphasized the significant progress of Sino-Saudi economic and trade relations and discussed the prospect of building cooperation in the industrial and labour sectors (*Xinhua General News Service* 24.11.87).

In April 1988, a discussion on developing diplomatic relations began to take place. China's Vice Foreign Minister, Qi Huaiyuan, arrived in the Kingdom at the invitation of the Saudi government. He met with Saudi Foreign Minister, Prince Sa'ud al-Faysal, discussing 'bilateral relations and international issues of common concern'. He delivered an official letter from President Li Xiannian to King Fahd (*Xinhua General News Service* 02.04.88).

In October of the same year, Zhao Ziyang met with a delegation sent by the Saudi King, and expressed the Chinese government's willingness to establish 'friendly, cooperative relations with Saudi Arabia in all fields under the five principles of peaceful coexistence'. He stressed that there were no conflicting interests between China and Saudi Arabia and that the two countries shared common views on many of the world issues. He identified some similarities in the development of their economies (*Xinhua General News Service* 13.10.88). On behalf of the Saudi government, Prince Bandar, who attended the meeting, paid compliments to China regarding both its foreign and reform policy. He also expressed the willingness of the Saudi government to foster bilateral relations (*Xinhua General News Service* 13.10.88).

The economic activity between the two countries appears to have accelerated the development of official relations. In December 1989, the first Chinese Export Exhibition was held in Riyadh and was visited by Saudi princes, senior government officials and businessmen. In this exhibition USD 32 million of deals was sealed. This significant achievement was expected to encourage bilateral trade and facilitate industrial exchange between the two countries (*Xinhua General News Service* 16.12.89).

3.3.3.3 Changing Perceptions of China in Saudi Arabia

By the end of the 1980s, Saudi Arabia was the only country in the Arab Gulf that had no diplomatic relations with China. It had been expected that the Kingdom would change its perception towards Beijing when the other Gulf States opened diplomatic links. Abidi

(1982) states that the Chinese ambassador in Kuwait, Ting Hao, expressed his government's desire to establish official contact with Saudi Arabia on 2nd of May 1979 (in Huwaidin 2002 p.217). Kuwait was the first GCC country to establish diplomatic relations with China, and that was in 1971.

There was a belief that the establishment of Sino-Omani diplomatic relations in 1978 might lead on to the development of Sino-Saudi diplomatic relations. Before Sino-Omani diplomatic relations were established, the Sultan of Oman was said to have consulted Saudi Arabia (*Foreign Broadcast Information Service* 31.10.78). In November 1985, the Chinese Vice-Premier, Mr. Yao Yilin, visited Oman and, when there, had a dialogue with the Saudi Crown Prince and First Deputy Prime Minister, Crown Prince Abdullah Abdul Aziz. Mr. Yao Yilin stressed several important points, including Beijing's support of the Palestinian issue, and Arab unity, and Beijing's appreciation of Riyadh's initiative and commitment to the regional issue (*The Xinhua General Overseas News Service* 19.11.85). Still, however, Saudi-Chinese diplomatic relations were not established.

The establishment of UAE-China diplomatic relations also seemed to increase the possibility of a Saudi move. The UAE ambassador to China, Ambassador Sultan Ali-Al-Noami, stated: 'I sincerely congratulate the UAE and China on their establishment of diplomatic relations...this action represents a good step to improve relations between the GCC countries and China as a great country. At the same time, it is a good step to establish trade ties and economic cooperation between them' (*Xinhua General News Service* 04.11.84). The ambassador also placed emphasis on 'the concerted foreign policy' of the GCC members. He believed that other GCC members that currently had no diplomatic links with China would form this relation very soon (*Xinhua General News Service* 04.11.84).

Saudi Arabia's reaction to the Sino-UAE diplomatic link seemed positive and favourable. In November 1984, during an interview session with Xinhua, Prince Talal bin Abdul

Aziz described China-UAE relations ‘...as a good sign of developing Sino-Arab relations’. When asked whether China and Saudi Arabia would eventually establish diplomatic relations, the Prince replied, ‘that can be discussed later on at high levels Beijing and Riyadh’ (*Xinhua General News Service* 03.11.84). However, nothing followed from this.

Prior to the establishment of the Sino-Saudi diplomatic relations in 1990, China developed diplomatic relations with Qatar on July 9, 1988 and Bahrain in April 1989. Qatar and Bahrain became the fourth and the fifth members of the GCC, respectively, to establish diplomatic relations with China.

3.3.3.4 The Changing Economic Balance: Saudi-ROC versus Saudi-PRC

A number of trade delegations from particular provinces in China had fostered economic links between the PRC and Saudi Arabia. The increase in PRC-Saudi economic engagement led to a collective decision to open trade representative offices in Beijing and Riyadh in 1988. This sub-section begins its analysis with a comparison of Saudi exports to and imports from the ROC and the PRC, over the period.

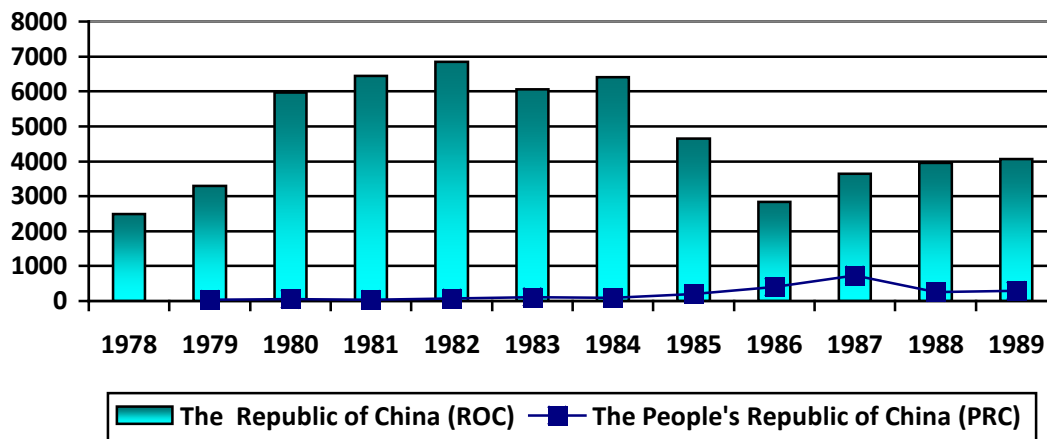
Table 3.1 and Graph 3.1 show that between 1979 and 1989, Saudi Arabia preserved strong trade links with the ROC. The Kingdom was actively targeting the ROC market rather than the PRC market. Saudi exports to the ROC were larger than its exports to the PRC by SR 2.3 billion. Saudi exports to Taiwan averaged about SR 207 million annually, whereas the exports to Beijing averaged close to SR 5,000. Against this backdrop, it seems reasonable to suggest that their diplomatic relations successfully cultivated a significant trade relation between the ROC and Saudi Arabia.

Table 3.1: Saudi Exports to the People's Republic of China (PRC) and the Republic of China (ROC), 1978-89 (Million Riyals)

	<i>The People's Republic of China (PRC) (Value)</i>	<i>The Republic of China (ROC) (Value)</i>
1978	N/A	2,498
1979	31.50	3,287
1980	58.13	5,961
1981	45.75	6,435
1982	69.75	6,843
1983	105.00	6,068
1984	83.63	6,416
1985	195.75	4,651
1986	401.63	2,830
1987	732.38	3,643
1988	263.12	3,955
1989	298.70	4,069

Source: SAMA and IMF Direction of Trade Statistic

Graph 3.1: Saudi Exports to the People Republic of China (PRC) and the Republic of China (ROC), 1978-89 (Million Riyals)



Source: SAMA and IMF Direction of Trade Statistic

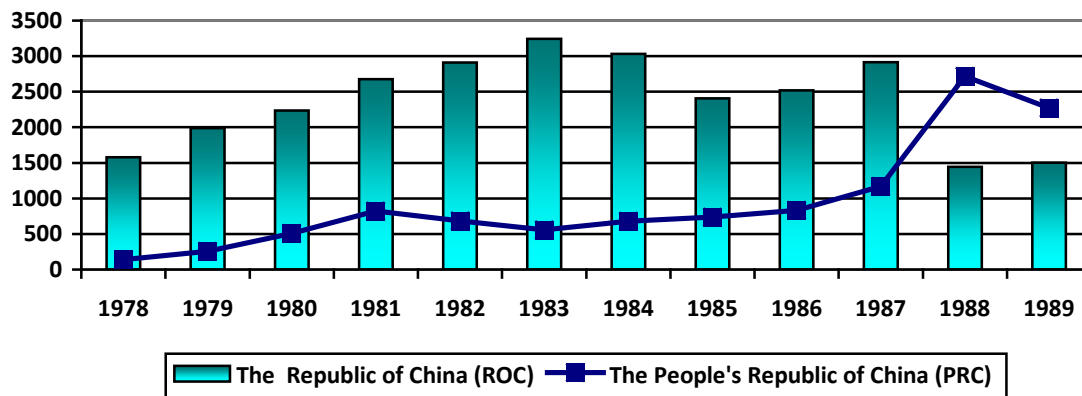
Saudi imports from the PRC began to exceed those from the ROC at the end of the 1980s (Table 3.2 and Graph 3.2). Between 1978 and 1987, Saudi imports from the ROC retained a strong performance and grew faster than imports from the PRC. The trend completely reversed from 1988, when Saudi Arabia acquired CSS-2 missiles from the PRC: Saudi import growth from the PRC jumped from SR 1.8 billion (1987) to SR 2.7 billion (1988) – a growth of 50 percent, whereas the reported figure from the ROC decreased from SR 2.9 billion (1987) to SR 1.4 billion (1989) - a 52 percent shrinkage in two years.

Table 3.2: Saudi Imports from the People's Republic of China (PRC) and the Republic of China (ROC), 1978-1989 (Million Riyals)

	<i>The People's Republic of China (PRC) (Value)</i>	<i>The Republic of China (ROC) (Value)</i>
1978	138	1,577
1979	255	1,990
1980	510	2,238
1981	825	2,677
1982	685	2,911
1983	559	3,245
1984	679	3,034
1985	740	2,405
1986	831	2,521
1987	1,171	2,917
1988	2,716	1,446
1989	2,270	1,501

Source: SAMA and the IMF Direction of Trade Statistic

Graph 3.2: Saudi Imports from the People's Republic of China (PRC) and the Republic of China (ROC), 1978-1989 (Million Riyals)



Source: SAMA and the IMF Direction of Trade Statistic

Sino-Saudi Economic Links. Some of the provinces in the PRC had already facilitated economic engagement with Saudi Arabia, especially those which were largely populated by Chinese Muslims. Ningxia region is one example. In April and May of 1985, Haji Husayn Hei Boli, Chairman of the Ningxia regional government, made a trip to the Kingdom, which was followed by a trade delegation from Saudi Arabia to Yinchuan in November of the same year. The Chinese and Saudi trade delegations promoted bilateral cooperation in economic, technology, and project development such as in the ‘agricultural and chemical industry’. In September 1985, a meeting related to economic and technical cooperation with the Islamic world and the province of Ningxia was hosted in China. In December 1985 and January 1986, a delegation of businessmen-bankers from Saudi Arabia arrived in Ningxia and stated their intention of developing a financial institution in the area. On April 13, 1989, the Al-Barakah-Ningxia Islamic International Trust and Investment Company was established and became known as the International Trust and Investment Company. The company aimed to encourage Muslim regions to pursue economic and financial cooperation.

Saudi and Chinese business circles played an important role in Sino-Saudi economic cooperation. Their involvement in this cooperation gained serious attention on the part of both governments. In November 1986, Abd al-Aziz al-Qurayshi, who was formerly a Governor of the Saudi Monetary Agency, led a delegation of Saudi businessmen to China, which was considered to be the first Saudi trade delegation to Beijing. In this visit, the delegation held a meeting with Premier Zhao. In November 1987, a delegation of Chinese businessmen led by Jia Shi, President of the China Council for Promotion of International Trade, was officially invited by Al-Qurayshi to visit Saudi Arabia. In this business trip, the delegation convened a meeting with Prince Sultan bin Abdul Aziz, the second Deputy Prime Minister of the Kingdom, and Defence and Aviation Minister. In a discussion with Saudi officials, this delegation expressed China's strong interest to foster bilateral cooperation, including 'trade, joint ventures, fairs, investment and labour export'.

Harris states that this delegation also sought Saudi loans, which could be granted to Chinese companies, and Saudi funds allocated to developing countries. However, obtaining approval for these loans was difficult since the two countries had not yet established diplomatic relations (Harris 1993 p.226). Saudi diplomatic relations with Taiwan, as Harris argues, prevented the offering of Saudi loans to China as well as the granting of permission for Chinese labourers to work in the Kingdom (1993, p. 224).

In April 1988, Qi Huaiyuan, Deputy Foreign Minister of China, made a visit to Riyadh. A few months later (in November), China and Saudi Arabia agreed to set up commercial representative offices in Riyadh and Beijing. The decision to open these offices was a direct result of Prince Bandar's visit to China in mid-October of the same year. An agreement was signed in Washington between the Chinese Ambassador to the US, Mr. Han Xu, and Saudi Ambassador to the US, Prince Bandar bin Sultan. China required its trade office to be located within the same area of other countries' diplomatic mission offices in Riyadh. The reason behind this was that Chinese representatives could enjoy diplomatic privileges in the Kingdom.

3.3.3.5 Expanding Contacts through Muslim Channels

Although there were no diplomatic relations between Beijing and Riyadh, Muslims in China were able to fulfil their religious duty, Hajj, in Saudi Arabia. A Chinese religious organization accomplished the vital task of arranging annual visits of Muslim pilgrims. The Pakistani authorities also played a substantial role in these visits. When arriving in Saudi Arabia, the pilgrims were welcomed by the Saudi authorities, who even arranged a meeting for them with the Saudi King. Despite the Saudi religious concern, Chinese Muslims and Islamic associations in China, particularly those in Xinjiang and Ningxia, succeeded in creating close contacts with Muslim organizations in Saudi Arabia. The contacts between these organizations and Chinese Muslim often drew in the involvement of Saudi princes. These contacts, moreover, indicated a using of multiple channels (one of the characteristics of complex interdependence) in the Sino-Saudi unofficial links that usually involved many actors and regular visits.

The religious organization in China, a total number of Chinese Muslims who performed Hajj in Saudi Arabia steadily increased through the 1980s. In October 1979, sixteen Chinese Muslims had left for Hajj - the first of such visits since 1964. The Hajj delegation was comprised of Muslim scholars and leaders, and headed by Muhammed Ali Zhang Jie, a Vice-President of the Islamic Association of China, and Imam al-Haji Salah An Shiwei from Dongsu Mosque in Beijing (*Xinhua General News Service* 20.10.79). It should be noted that this association had previously dispatched ten Hajj groups to Makkah between the years 1955 and 1964. Hajj trips had been abandoned during the period of the Cultural Revolution (*Xinhua General News Service* 20.10.79).

In the 1980s, China's Hajj mission to Saudi Arabia was important and successful, though visa arrangements had to be made through the Pakistani authorities. There was a growing number of Chinese Muslim pilgrims, and a China Hajj Affairs Office was opened in the Saudi Pilgrimage Company (Harris 1993 p.224). Hajj Visas for Chinese Muslims were

processed through the Pakistani authorities because China and Saudi Arabia had not yet established diplomatic relations (Wren 1983). President Zia stressed that Pakistan had promoted close cooperation and extended full support to the Muslim pilgrims from China, who used the country as part of their travelling route to Saudi Arabia (*Xinhua General News Service* 11.07.88).

The number of Chinese Muslims that attended Hajj gradually increased. Most of these pilgrims were from Xinjiang and Ningxia, the two provinces densely populated by Chinese Muslims. In September 1983, a group of 313 Muslim pilgrims from Xinjiang (*BBC Summary of World Broadcasts* 30.03.84), and 23 Muslim pilgrims from Ningxia left for Makkah via Karachi, led by Vice-Chairman of the Ningxia Hui Autonomous Region, Qudratallah Ma Teng'ai (*Xinhua General News Service* 08.09.83). The Kingdom was said to have provided sufficient funds for Chinese Muslim pilgrims, in particular those from Ningxia province, to visit Makkah (*Defense & Foreign Affairs* 1985). In 1984, the number of these pilgrims had increased dramatically when more than 1,200 Muslims performed the annual Hajj pilgrimage (*Xinhua General News Service* 17.09.84). It was in this year that Vice-President of the China Islamic Association, Ilyas Shen Xiayi, was invited to attend the Saudi King's state banquet. King Fahd bin Abdul Aziz greatly welcomed the delegation and expressed his wish for the enduring happiness of all Chinese Muslims.

In March 1987, Jamil 'Abd al-Rahman, Deputy-Director of the China Hajj Affairs Office of the Saudi Pilgrimage Company, was invited to China, where a discussion regarding Chinese Hajj delegations was held with the China Islamic Association (*BBC Summary of World Broadcasts* 24.03.87). In June 1988, forty-four Chinese Muslim pilgrims from Xinjiang went to Makkah through Pakistan (*BBC Summary of World Broadcasts* 15.06.88), and this number reached 960 Chinese Muslim pilgrims in the following year (*Xinhua General News Service* 18.11.89).

The Muslim world, the Chinese Islamic Association and other institutions.

Saudi princes and representatives of Muslim organizations established close contact with Muslim associations in China. Chinese Muslims constituted a channel which facilitated the development of Sino-Saudi diplomatic relations. In June 1981, a delegation of the Muslim World League visited Muslims in China, and met with Yang Jingren, who held the highest position in the Chinese government. In a meeting with the representatives of the China Islamic Association, the delegation contributed USD 500,000 to this organization. In 1982, as one of delegates of the Arab League, Saudi Foreign Minister, Prince Sa'ud al-Faysal, made a visit to China. At the same time, Saudi Oil Minister, Sheikh Zaki Yamani, was said to have secretly visited China (Harris 1993 p.224).

In May 1985, a meeting was convened between the Chairman of the Islamic World League, Abdul Aziz ibn Baz, and China's Muslim delegation from Ningxia. In this meeting, Hei Boli, chairman of Ningxia Hui Autonomous Regional People's Government, discussed the growing link between the Muslims in China and Saudi Arabia. The delegation was visiting the Kingdom at the invitation of Abdula Omar Nasef (*Xinhua General News Service* 17.05.85). In December of the same year, another Muslim delegation from China arrived in Riyadh. In this visit, the Chairman of the Xinjiang Uygur Autonomous Region, Ismail Ahmed, attended a meeting with the Saudi Grand Mufti, Abd al-Aziz ibn al-Baz (*Xinhua General News Service* 01.12.85). During an exclusive interview with Xinhua, Ismail Ahmed spoke about the recent visits to ten cities in Saudi Arabia and expressed his warmest thanks to the Islamic World League and the Kingdom for their generous treatment. In this visit, the delegation met with three Saudi princes, Prince Abdul Rahman Abdul Aziz, the Deputy Minister of Defense and Aviation, Prince Mohamed bin Fahd and Prince Majid Abdul Aziz. According to Ismail Ahmad, the Chinese delegates and the distinguished Saudi officials acknowledged the importance of strengthening bilateral cooperation and exchanges in economic, religious and cultural agendas. All of the princes warmly commended China's policy towards religious freedom and its open policy. They also expressed their anticipation of an

increasing number of Chinese Muslim pilgrims to the Kingdom (*Xinhua General Overseas News Service* 18.12.85).

In December 1987, the Muslim World League organized a five-day International Convocation of Islamic Leaders in Beijing. It was attended by 300 participants (*BBC Summary of World Broadcasts* 11.12.87). The President of the China Islamic Association, Hai Iliyas Shen Xiayi, placed emphasis on a positive relationship between the Muslim communities in China and the Muslim World League, had been established in 1979. Burhan Shahidi, an Honorary President of the China Islamic Association, said that this event would facilitate and deepen mutual understanding between Chinese Muslims and other Muslims around the world.

Common interests in economic and technological aspects directly tied and institutionalized the relations between Ningxia-based organizations and Muslim countries. The Ningxia Islamic International Economic and Technological Organization was formed in order to foster economic and technological cooperation between Ningxia province and Islamic countries. Another organization known as the Ningxia Muslim Trust and Investment Company was established with a fairly similar objective of building strong relations with Islamic countries. The company provided and offered labour services and contract work to these countries and various forms of joint ventures were promoted between Ningxia and Saudi Arabia. With regard to inward investment in Ningxia, an 'opening-up' policy that had been implemented successfully attracted CNY 56.35 million foreign investment in 1986 (*BBC Summary of World Broadcasts* 01.04.87).

Another significant visit was that by Maarouf al-Dawalibi, who was a Chairman of the World Muslim Congress and an advisor to the Saudi King in the field of foreign affairs and religious matters, made a visit to China and attended a meeting with China's Muslim leaders, including Mohamed Ali Zhang Jie, and Ilyas Shen Xiayi. Al-Dawalibi was notified of the Chinese Muslims' involvement and contribution to the political and

economic sectors of China, and the role of the China Islamic Association in promoting Islamic teaching in the country (*Xinhua General News Service* 08.10.86).

Saudi financial and technical assistance to Muslim communities in China were offered in different forms. In the 1980s, many Muslim students from China who were studying at University Al-Azhar earned educational scholarships from the Muslim World Organization. Saudi Arabia also delivered one million copies of *Al Quran* to Muslims in China and financed the construction of mosques and the development of Islamic education in China (Harris 1993 p.225).

3.3.3.6 Security: China's Missiles Sales to Saudi Arabia

Factors Leading to the Sino-Saudi Missile Deal. Saudi Arabia sought to form a missile deal with China on three grounds: its national security interest, the sale of Chinese weapons to Iran, and the refusal of the US to supply missiles.

Prince Khaled bin Sultan claimed that the original idea of possessing this missile was conceived by King Fahd and did not originate from Saudi military commanders (Al-Saud 1995 p.138). The first factor was the need to pursue the Kingdom's national security interest. Prince Khaled states that King Fahd took the decision to buy the missiles because Saudi Arabia urgently needed a powerful and sophisticated weapon to deter any possible attacks from external enemies. The Prince identified the enemies of the Kingdom as Iran and Israel. Prince Bandar, however, refers to the enemy as specifically being Iran. Prince Bandar recounts how he tried to convince the US that the acquisition of the missiles was not for the purpose of targeting Israel, the principal regional ally of the US.

The second reason for obtaining missiles was stemmed from the long-running Iran-Iraq war. Since the beginning of this war, China had been exporting weapons to Iraq, valued

at approximately USD 3.6 billion in 1983 (Simpson 2006). As a close ally of Iraq, Saudi Arabia allowed the PRC to occupy its territory purposely to transfer these weapons to Iraq. Two years later, China also sold weapons to Iran. The Kingdom alarmed by this, and therefore decided to seek to stop the Beijing-Tehran arms dealing by buying the weapons that China had planned to export to Iran (and giving them to Iraq). The operation was called Operation Torch, coordinated between the US and Saudi Arabia. Simpson sees this program 'as a subterfuge', concealing Saudi Arabia's desire to acquire China's missiles.

The third factor that strongly motivated Saudi Arabia to buy Chinese missiles was the resistance of the US to sell its ground-to-ground missiles (the Lance) and F15Es to Saudi Arabia. The US contended that these weapons could pose a serious threat to Israel's security. Richard Murphy explained this situation to a House of Representative Committee as follows: 'They felt naked. They did come to us. They asked us for...the Lance missile and we were not prepared to sell so they went elsewhere' (*The Washington Post* 29.03.88). Saudi Arabia obtained the missile from China because the latter could supply this weapon 'at speed and without constraining conditions' (AlSaud 1995 p.145). There are different names for the Chinese missiles: DF-3A Dongfeng, the East Wind or CSS-2. It had a 1600-mile-range capability as compared to the Lance, which had merely an 80-mile range (Simpson 2006 p.125). However, the accuracy of the missile was said to be less than perfect since it had been redesigned to deploy a conventional rather than warhead and not accurate enough to attack the military target (*The Washington Post* 07.04.88).

In March 1988, it was reported that Saudi Arabia had indeed purchased 25 units of CSS-2 missiles and a ground support system from China at a total cost of USD 100 million. The reported total cost is questionable, however, since exact details of the missile deal remain unclear to this day (Simpson 2006). The architects of the missile deal were Prince Bandar and Prince Khaled. The mission was concluded by Prince Khaled after an initial deal was set up by Prince Bandar.

Initiating a Sino-Saudi Missile Deal. The Saudi authority's decision to expand its missile deal with China was indirectly influenced by the selling of Chinese weapons to Iran in 1985. Prince Bandar, who was the Saudi ambassador to the US, explored a possible opportunity to obstruct Sino-Iranian arms trade. For him, an effective means could be that of purchasing of all the weapons that had been agreed upon between Beijing and Tehran. In July 1985, Prince Bandar immediately initiated a missile deal with China. With the consent of Secretary of State George Shultz, Prince Bandar personally approached China's ambassador in Washington, which caused the profound shock of the latter. It is worth highlighting that Prince Bandar concurrently used this opportunity to negotiate the purchase of China's DSS-2 missile for the Kingdom.

A constructive dialogue was then conducted in Pakistan and the Saudi and Chinese representatives agreed to state a practical purpose for their meeting, namely that it had something to do with the petrochemical business. Since Saudi Arabia needed to develop its petrochemical market in China, using the idea of petrochemical business to conceal a secret missile deal with China seemed to be convincing (*The Washington Post* 29.03.88). Based on this idea, two meetings were subsequently held. Saudi Arabia reportedly sent a large number of petrochemical experts to the meetings. The next stage of the missile deal was the invitation of Prince Bandar to Beijing. During the meeting, the Prince was presumably shocked at China's inquiry: 'How dare you ask us to sell you arms if you still have a relationship with Taiwan and no relationship with us?' (Simpson 2006 p.153). Prince Bandar replied to this question by stressing the importance of China in satisfying Saudi's urgent need and of Saudi trust in China, which was higher than Saudi trust in the Soviet Union. Prince Bandar also stated that encouraging progress and developments would soon follow if China met the Saudi need. At the same time, he also informed the Chinese officials that his role did not go beyond that of forming a missile deal.

Prince Bandar further revealed his hidden motive for arms dealings when stating, 'By the way, I would also like to buy a couple of billion dollars worth of weapons that you are going to send to Iran'. The Chinese weapons and the Silkworm missile, which were supposedly sold to Iran, would then be shipped to Iraq via Saudi land—a defensive strategy to deter an Iranian attack (*The Washington Post* 29.03.88). Prince Bandar clearly highlighted the enormous benefits that China might gain and significant implication that could happen if Beijing fulfilled Riyadh's requests: extending assistance to Saudi Arabia and the Arab world, pleasing the US and the UK and receiving 'good politics' and hard currency (Simpson 2006 p. 154). Prince Bandar was then requested to meet with China's Premier, Zhao Ziyang. In this meeting, the Premier placed emphasis on a 'policy of non-alliance and the five principles of peaceful coexistence'. As an immediate response to this statement, Prince Bandar 'had taken pains to stress Saudi Arabia's agreement' to the aforementioned principles. Nonetheless, Prince Bandar deliberately stressed the non-aggressive stance of Saudi Arabia and the deterrent purpose of missile purchasing (Simpson 2006 p. 154). Prince Bandar further stressed that if this deal were accepted, the potentiality of developing Sino-Saudi diplomatic relations would be vast (Simpson 2006 p.154).

Apparently, the issue of Taiwan put some external pressure on the missile deal. China's Premier said that Sino-US normalization was realized when the US had severed its diplomatic relations with Taiwan. Prince Bandar accepted China's principle and practice, but claimed that this policy was not relevant to Saudi Arabia because the Kingdom was not a superpower. Prince Bandar said, 'In the final analysis I think you did the right thing with America, but that is not the way to deal with us'. Prince Bandar's statement was said to have accelerated an official approval of the deal by Chairman Chao Ping. The Chinese government stressed its great respect for Saudi Arabia and that China planned to conduct business with Saudi Arabia provided that the Saudi government had real hopes of developing diplomatic relations with the PRC. It was also predicted that the Beijing-Riyadh cooperation might significantly influence Saudi relations with Taiwan (Simpson 2006 p. 154). Prince Bandar immediately went back to Saudi Arabia, delivering the

positive news to King Fahd. He also promptly notified Secretary of State Shultz that China had agreed to sell its weapons (which were supposed to have been sold to Iran) to the Kingdom. Nevertheless, the news concerning the acquisition of China's missiles was ignored.

Furthering the Missile Deal. A special meeting between Prince Khaled and Lieutenant General Cao Gangchuan, a Deputy Chief of the General Staff of the People's Liberation Army, was conducted at a Saudi air base. The reason for choosing this location was to shun unwelcome publicity and perhaps to support King Fahd's idea that the purchasing of this missile was to be covertly and swiftly completed (Al-Saud 1995). The meeting was held between the 16th and 23rd of December 1986, and unveiled a draft of the missile project (Al-Saud 1995). Prince Khaled claimed that his duty was 'to negotiate the deal, devise an appropriate deception plan, choose a team of Saudi officers and men and arrange for their training ..., build and defend operational bases and storage facilities in different parts of the Kingdom, arrange for the shipment of the missile from China, [and] ...defend the project against sabotage or any other form of attack' (Al-Saud 1995).

Prince Khaled had been to China several times. His first trip was in February 1987, when his mission was said to have resulted in the obtaining of Chinese light weapons that were supposed to be sold to Iran. The second trip was made to Hong Kong, where Prince Khaled met with two China envoys and dealt with some relevant documents. Prince Khaled then left Beijing and made subsequent appointments. Yang Shangkun, First Vice Chairman of the Central Military Commission, was the key contact leader of Prince Khaled in Beijing. Prince Khaled then went to the Chinese missile base and saw the DF-3A missile, which was equipped with a nuclear warhead. In the latter stage, the missiles that were modified to carry the conventional warhead had arrived in Saudi Arabia and were being transported by truck to the Empty Quarter, the southern part of the country. As a means of preventing the area from being identified as a storage location for a China missile, the US government was told that a big 'ammunition depot' for security purposes had been built at that location (*The Washington Post* 29.03.88).

Prince Khaled believed that the agreement which was concluded in the deal was based on mutual benefit and would pave the way for 'political recognition and...diplomatic relations' between China and Saudi Arabia. The Prince claimed that the relations between the two countries following the signing of the deal would be built on the basis of 'sound and realistic appreciation' of the enormous benefits that each country had greatly enjoyed (Al-Saud 1995 p.142). In his writing, Prince Khaled drew a comparison of the economic and political benefits in an effective way: China had a large population and strong economic power, whereas Saudi Arabia possessed a vast oil resource and financial capacity; China identified itself as a leader of the third world, while Saudi Arabia held a strong position in the Muslim world and considered itself to have tremendous influence over the Arab world. Prince Khaled further stated that Saudi Arabia was in agreement with China's notion of peaceful coexistence, which had been introduced in Bandung Conference in 1955.

The Missile Deal and its Implications. The missile deal predictably was seen as carrying major implications for Saudi Arabia, China, the US, Israel, Iran and Iraq.

Saudi Arabia and China. The missile deal dramatically accelerated the establishment of bilateral diplomatic relations between Saudi Arabia and China. Prince Saud was the one who laid 'the groundwork' for the development of diplomatic relations, and this groundwork would be discussed in a meeting with China's Deputy Foreign Minister. Prince Saud's diplomatic initiative was under the order of King Fahd and the Crown Prince. This initiative was being monitored by Prince Sultan. Prince Saud was also directly responsible for providing the appropriate details needed for the establishment of diplomatic relations and the opening of embassies in both countries. He further emphasised that this diplomatic initiative would be immediately undertaken by Prince Bandar (Al Saud 1995).

In April 1988, China's Foreign Minister, Wu Xueqian, expressed his hope that the intention of developing diplomatic relations would be immediately transpire because the two countries had already developed direct relations (*Xinhua General Overseas News* 06.04.88). China's Deputy Foreign Minister, Qi Huaiyuan, who arrived in Riyadh during the leak of the Sino-Saudi secret missile deal, emphasized an increase of cultural and commercial contacts between the two countries (*The Guardian* 04.04.88). Prince Bandar made a return visit to Beijing on October 12 and 13 of 1988, and this trip was publicly announced by both governments. The primary objective of this visit was to establish diplomatic relations.

The United States. The Sino-Saudi missile deal generated real tension between the Kingdom and the US. The US was vexed with the transferring of the missile to the Kingdom, which had been facilitated for about two years without the US's knowledge. Saudi Arabia maintained close political and military links and shared intelligence information with the US, but it successfully deceived the latter during the process of obtaining the Chinese missile. The success of the missile deal also indicated the 'failure of US intelligence' (*The Washington Post* 29.03.88).

The secret missile deal was eventually discovered when an American satellite detected an image of this missile in the vicinity of Saudi security forces, who were gathering at the place where the truck that transported the missile had broken down. On March 4, 1988, the *Washington Post* reported the shocking news; Saudi Arabia had acquired China's CSS-2 ballistic missile, which had the capacity to reach 1500 miles and to carry nuclear warheads. By the time this missile was discovered, the Kingdom had already imported half of these Chinese weapons.

In dealing with the exposure of the secret deal, Prince Bandar and China's ambassador had readily agreed to offer the same response to the US officials by making the same statement, 'I understand your concern, but this is a military matter and I am only a

diplomat. I will ask my government and come back to you with an answer' (Simpson 2006 p.160). The prepared statement was delivered in a meeting between Bandar and Richard Murphy, Assistant Secretary of State for the Middle East, as well as between China's Foreign Minister and Shultz.

Prince Bandar immediately discussed the contentious issue with King Fahd. In this conversation, Prince Bandar received the King's order: 'Nuclear weapons—I wish! But tell them if they are willing to sell any nuclear weapons for our defences, then we would be very appreciative and we would be happy to negotiate immediately' (Simpson 2006 p.160). Prince Bandar submitted the letter from King Fahd to the US government. The King confirmed the purchasing of China's missile and firmly denied the Kingdom's acquisition of nuclear weapons. He further defended that this purchase was due to Congress's decision to reject the selling of the American Lance missile to the Kingdom. The King also declared that the use of the missile was for defensive rather than offensive purposes (Simpson 2006 p.161).

King Fahd delivered his justification as to why Saudi Arabia had acquired China's missile, stating, 'We buy arms and we do not buy ideology'. He further expressed a resolute determination to obtain the missile and claimed that the missile was not for a ruthless ambition: 'we shall never be the aggressor but we shall not allow anyone to commit aggression against one inch of our territory'. The King seemed to emphasize that China was a viable and preferred option for the supplying of weapons to his country: 'we shall not hesitate to acquire the arms we need from any country in the world on the condition that they be among the best available'...'if matters become snarled with a certain country, we find other countries, whether they are Eastern or Western, and we buy arms and we do not buy ideology'. King Fahd made these statements during a meeting with army, police officers and national guards in Makkah in 1988 (*The Associated Press* 26.07.88).

Saudi Arabia also blocked the US inspection of the missile. The US needed to conduct the inspection because it wanted to verify that the missile did not contain nuclear warheads and that it was still a firsthand weapon. The Saudi government informed the US government that the inspection was 'a [matter of] strict confidentiality between Saudi Arabia and China' (*The Washington Post* 29.03.88).

During a news conference in April 1988, China's Foreign Minister, Wu Xueqian, publicly announced that Saudi Arabia had bought China's conventional surface-to-surface missiles. According to him, as a state that placed a greater responsibility on the arms sales, the PRC greatly honoured the Kingdom's commitment: this commitment underscored the purpose of the missile acquisition, which was mainly intended to be a defensive measure rather than for the launching of an offensive (*The Washington Post* 29.03.88). The Minister avowed that Beijing was behind the Arab states in the case of an Israeli attack on the purchasing of the new missile. This stance, however, would only be adopted under the condition that the purchase was aimed at preserving and securing regional peace.

Israel. Israeli's spontaneous reaction to the Saudi missile purchase was a possible pre-emptive attack to Saudi Arabia, which would pose a potential threat to US-Saudi relations as well as dismiss the possibility of Arab states agreeing to the US Middle East Peace Initiative. Israeli Prime Minister, Yitzhak Shamir, stressed that Israel would not wait for an offensive operation. In a later instance, Prince Bandar was informed by Prince Sultan that Saudi air base radars in Tabuk had detected Israeli airplanes which were flying not far from Aqaba. Without delay, the King ordered that the entire Saudi Air Force, which was 'fully loaded and fully armed', be sent to the northern part of the country. Prince Sultan emphasised that the Kingdom's military preparation was not for the purpose of initiating a military confrontation with Israel. Rather, such preparation was mainly for the exercising of military retaliation in the event of an Israeli assault upon Saudi Arabia. This message was then delivered to the White House. In a meeting with General Powell, Prince Bandar strongly reiterated the Kingdom's intention not to deploy

the missile to attack any countries. Prince Bandar stated: 'Here is a very simple message from Saudi Arabia. We have no intention of attacking anybody with these missiles. We know Israel's capabilities. It would be suicidal for us to attack them and cause some damage, because then they would destroy everything we have. Why take us from the category of not wanting to engage to a category where we have no option but to?' (Simpson 2006 p.163). Prince Bandar could presumably learn that the Israeli reaction was a practicable means of testing Saudi's real intention behind the acquisition of the Chinese missile. This issue was easily resolved when Israel claimed that the flying of its airplanes was merely a 'night exercise'.

Iran and Iraq. China's Foreign Minister, Wu Xueqian, confirmed that Chinese Silkworm missile exports to Iran had been curtailed. He explicitly denied the repeated accusation that the Chinese government was somehow involved in direct arms transactions with Iran and Iraq. Wu Xueqian, however, said that Iran and Iraq could easily obtain China's weapons since they were being sold at the international market (*The Washington Post* 29.03.88).

A verbal assurance that Chinese Silkworm was not sold to Iran, either through a direct bargaining or third party, was also given to the US officials. This assurance, to some extent, encouraged the US to resume the selling of its technology to China, which had been halted in October of the previous year. This news was delivered to Wu Xueqian during his trip to Washington in March 1988 (*United Press International* 21.03.88).

Conclusion

China and Saudi Arabia had no official political or economic relations in the period 1949-1977. In the absence of official relations, Chinese Hajj delegations successfully established some regular contacts with the Saudi leaders and officials. Although senior government personnel of the two countries met at the Bandung Conference in 1955, Saudi Arabia was steadfast in maintaining its political stance of having a close

relationship with Taiwan. Anti-communist sentiment continued to strengthen the relationship between Riyadh and Taipei.

In the period 1978-1989, the basis for one of the characteristics of complex interdependence, (multiple channels), began to figure in Sino-Saudi relations: the high-level officials of the two countries gradually made direct contacts. In the early 1980s, they met at international events. In the mid-1980s, Chinese and Saudi leaders had more direct communication. At the end of the decade, some practical initiatives to develop diplomatic relations between China and Saudi Arabia began to take place. At the same time, the two countries secretly and actively negotiated the missile deal.

Chapter Four

Development of Sino-Saudi Relations in the Post-Cold War Era, 1990-2000

Introduction

This chapter begins by examining the international system that characterized the post-Cold War era. The purpose of this analysis is to reveal a clear picture of PRC and KSA policy towards the US and the USSR. The analysis also lays emphasis on the policies of the two countries regarding the major events and issues in the Middle East. The main focus of the chapter is on the establishment of diplomatic relations between the PRC and the KSA. The chapter later assesses the response of the ROC government to the shift of diplomatic relations to mainland China. After analysing this development, the chapter will focus on the sub-topics of the dynamics of political and economic relations between the PRC and the KSA. The sub-topics cover the important aspects of these relations, specifically, trade and investment. Relations will also be examined from the theoretical viewpoint of complex interdependence and constructivism.

4.1 The Post Cold War

With the dissolution of the USSR and the abandonment of communism, the character of international relations changed fundamentally and substantially. The way the Cold War ended and the way the post-Cold War period influenced the development of international system, profoundly shaped the relations among countries. This sub-section will briefly examine the collapse of the Soviet Union, the significance of the New World Order (NWO), the launch of the Gulf War and the disintegration of Yugoslavia.

The Disintegration of the USSR. Fundamental problems within communism led to the breakup of the USSR. When Gorbachev became the General Secretary of the Communist Party in 1985, political and economic systems of the communist bloc in Eastern Europe were faced with the potential threat of disintegration (Antony et al. 2009). In Poland, the Solidarity Movement openly challenged communist leadership through strikes and the

demand for free elections. Eventually, in 1989, the communist government under the leadership of General Jaruzelski appointed a non-communist leader, Tadeus Mazowiecki, as the new prime minister of Poland. Hungary followed Poland's decisive step by establishing a new government. The fate of East Germany was somewhat similar to that of Hungary and Poland. East Germany also collapsed at this time and merged with West Germany in 1990. In 1989, the Velvet Revolution in Czechoslovakia finally toppled the communist government. To follow suit, the Romanian communist government was overthrown in the Romanian Revolution in the same year. With a number of valid reasons, Gorbachev refused to interfere in these historic events of the Eastern European communist bloc. In his country, Gorbachev gradually reformed the political and economic systems of Russia and received critical comments from his people and foreign countries: in 1987 Gorbachev introduced 'perestroika' (the restructure of the economy), and 'glasnost' (openness) to his country.

On December 8, 1991, the Commonwealth of Independent States (CIS) was jointly formed by the leaders of Ukraine, Russia and Belarus with the main objective of dissolving the Soviet Union. Other Soviet republics later became members of the CIS. The independence of 15 republics in the communist bloc gradually undermined the USSR, which finally collapsed on December 25, 1991 when Gorbachev announced his resignation as the Soviet president. Subsequently, Russia replaced the Soviet Union as a member of the United Nations Security Council (UNSC).

In the Cold War's aftermath, Russian political and economic systems were relatively unstable. Russia specifically applied the deregulation of the price system, the privatization of several state-owned companies, and the expansion of inward investment. Nevertheless, the country was still suffering an acute economic problem. In 1992, for instance, its inflation amounted to 2,500 percent (Antony et al. 2009). In terms of the political system, the new Russian Federation was comparatively weak and a power struggle for political leadership of the country was likely to continue.

At the international level, Russia joined the G-7 organization, later known as the G-8. The key reason Russia was accepted as a member of this organization was to support its

intensive efforts to westernize its political and economic systems. Within the context of global security, there was an immediate concern about the nuclear arsenal as well as Russia's other chemical and biological weapons. There was also a grave concern that these weapons could be transferred to other countries and perhaps to terrorist organizations. To address these strategic considerations, Russia and the US negotiated and reached specific agreements regarding the reduction of nuclear weapons (Antony et al. 2009).

The New World Order. At the beginning of the Gulf crisis, President Bush introduced a 'global vision' that was widely known as the New World Order (NWO). The so-called global vision was said to follow from the ideas of Franklin D. Roosevelt, who had deliberately stressed the role of the US as the leader of 'great power collaboration through the United Nations' (Goldstein and Pevehouse 2007 p. 39). In light of this notion, Bush saw the 1990-91 Gulf War as the beginning of 'a new world order,...with new ways of working with other nations...peaceful settlement of disputes, solidarity against aggression, reduced and controlled arsenals and just treatment of all people' (Nye 1992 p. 83).

Bush's idea of the NWO was thoroughly discussed among scholars of International Relations. From these discussions, the critical elements and core components of the NWO have been vividly traced. The elements and components contained in the workable definitions and understandings that prominent scholars have developed will be highlighted next.

Joseph S. Nye, Jr., a renowned scholar of International Relations, considers the NWO to be a piece of 'grand rhetoric' on the part of President Bush (1992). Nye also claims that Bush's administration failed to clearly define the meaning of the NWO. In explaining the NWO, Nye begins with the definition of 'the world order'. In world politics, as he claims, there are two ways to understand world order. First, the proponents of realism, like Richard Nixon and Henry Kissinger, defined world order as a product of 'a stable distribution of power among the major states' (Nye 1992 p. 84). Second, world order according to liberals such as Woodrow Wilson and Jimmy Carter, was conceptualized as

a product of 'broad values...international law and institution' (Nye 1992 p. 84). Examples of these values, as Nye states, were democracy and human rights. Nye identifies that Bush's NWO was based on that of the liberals, and yet his actions and thinking tended to reflect that of realists: 'The problem for the Bush administration was that it thought and acted like Nixon, but borrowed the rhetoric of Wilson and Carter' (Nye 1992 p. 84).

A professor of the Middle East, Tim Niblock, argues that with the collapse of the USSR, the US began to heavily emphasize its international role and promoted the NWO by delivering 'the key values of Western liberal democratic system' to the world. Niblock conjectures that characteristic of the NWO is 'international progress towards democracy, free enterprise and the protection of human rights' (2001, p. 296). Were the peace and stability of the international system to be threatened, collective actions created through the international organization and supervised by the US would be taken (Niblock 2001).

A professor of History, Paul W. Schroeder, argues that the absence of a specific definition has resulted in multiple and varying interpretations of NWO. Schroeder, in defining the NWO, states that the NWO is 'an international system, in which the United States and like-minded friends and allies act together, preferably under the aegis of the United Nations (UN), to preserve or establish peace by upholding international law and order against aggressors, lawbreakers, and oppressors' (Schroeder 1995 p. 368). He continues to argue that the international community would resort to the use of force in order to curb the behaviour of a particular actor viewed as threatening. In other words, the international community has to deter and compel rather than persuade, mediate and conciliate the behaviour of such an actor (Schroeder 1995 p. 368).

By analysing the above-mentioned definitions and interpretations, one may conclude that the international system in the post-Cold War period gradually adopted a new framework. Through United Nations, the US carefully manoeuvred a group of major powers in promoting Western political and economic values to the international community. Although President Bush had coined the NWO based on liberal beliefs, his policy actions regarding the NWO were largely justified from a realist perspective.

The Gulf War. The Gulf War began with Iraq's invasion of Kuwait on August 2, 1990 and ended with a ceasefire on February 27, 1991. Saddam Hussein made his own calculations as to why he chose to invade Kuwait. His assessment was generally based on internal and external factors.

Concerning the internal factors, Saddam had to resolve the problems of domestic economy and the Iraqi armies. The eight-year Iran-Iraq war had been detrimental to Iraq's economy. Iraq had to repay USD 80 billion worth of debt, most of which had been borrowed from Saudi Arabia and Kuwait (Antony et al. 2009). In addition to its massive and unpayable debt, Iraq had to deal with low oil income and a high military expenditure that amounted to USD 208 billion. Given these severe economic problems, Saddam considered it unwise to demobilize military forces consisting of 1.5 million individuals (Antony et al. 2009). If they were demobilized, Iraq would be drawn into massive unemployment that could later trigger social instability. The demobilization of military forces could also threaten and undermine Saddam's authority since most of them were originally Shia sectarians. Entering a new war could therefore act as a workable solution in which these military forces could be effectively deployed.

As for the external factors, Saddam had to realise his long-held ambition of turning Iraq into a regional hegemonic power, to deal with the policy behaviour of Kuwait and to challenge the belief that the US would not interfere in Arab affairs if the occupation of Kuwait was made possible. By invading Kuwait, Saddam believed that his country could become a hegemonic power in the region. With this power, Iraq could determine the prices of oil and its productions, as well as own 21 percent of OPEC's total production (Antony et al. 2009). Iraq was also keen to become the leader of pan-Arabism. Another external factor was the policy behaviour of Kuwait, which seriously irritated Saddam. Kuwait rejected two Iraqi proposals that aimed to annex two islands located at the Shatt al-Arab River in 1988, and to demand territorial concessions when its war against Iran was waged in the interest of the Arab states. The situation became complicated when Iraq repeatedly accused Kuwait of stealing USD 2.4 billion worth of oil, which was from the Rumaila oilfield (Antony et al. 2009). The situation became even tenser when Kuwait

increased its oil production, which later brought about the squeeze of global oil prices. This disturbing development severely angered Saddam because it put Iraq's economy at risk (Keylor 2001).

Another external factor was Saddam's assessment that the US would not become involved in inter-Arab disputes. He made this evaluation after a meeting with the US ambassador, April Glaspie, in July 1990. Saddam's assessment was also influenced by his own experience that the US had already extended strong support to Iraq during the eight-year war with Iran (Dunne 2011).

Three months after the invasion of Kuwait, allied forces from several major nations of the East and West began to liberate Kuwait. Led by the US, the alliance launched Operation Desert Storm on January 17, 1991. Many countries agreed on the use of force against Saddam since the invasion of Kuwait was considered to be a form of international aggression (Cyr 2000). A ceasefire was then declared on February 27, 1991.

Operation Desert Storm enabled the US-led alliance to accomplish the principal objectives: the independence of Kuwait and a withdrawal of Iraqi troops from Kuwait by means of force (Cyr 2000). While achieving these aims, Desert Storm gradually brought the US to the position of unrivalled power in the Middle East, and resulted in the succession of Pax Britannica by Pax Americana (Shlaim 1995).

The Disintegration of Yugoslavia. The dissolution of the Yugoslavia Federation in the early 1990s was driven by a number of key factors: a deep ethnic separation, serious economic problems and the death of President Tito. From 1991, the republics that had been previously united under the Yugoslavia Federation began to seek and proclaim their independence. Slovenia and Croatia declared their independence on June 25, 1991, followed by Macedonia in September of the same year. A new Yugoslavian federation, which constituted Serbia and Montenegro under the leadership of Slobodan Milosevic, was also established.

A series of Balkan wars immediately erupted. Bosnia-Herzegovina, one of the republics of the former Yugoslavia, evolved into a brutal ethnic war. Declining to be ruled by a Muslim-dominated government, the Bosnian Serbs declared a majority of Bosnia territory as the Serbian Republic of Bosnia and Herzegovina, while the Bosnian Croats proclaimed half of the remaining territory as the Croatian Community of Herceg-Bosna. What was left to the Bosnian Muslims was 15 to 20 percent of the territory (Antony et al. 2009). Their fates proved to be tragic when the 'ethnic cleansing' began. The Bosnian Serbs ruthlessly murdered thousands of Bosnian Muslims.

The international community reacted to this human tragedy by imposing the UN economic sanctions against Serbia and Montenegro in 1992, and dispatching a UN Protection Force (UNPROFOR) to Bosnia. These joint efforts, unfortunately, failed to eliminate the conflict.

At this stage, the US was clearly reluctant to initiate intervention on the ground that the Bosnian conflict was in the sphere of European responsibility. The resistance also stemmed from the US public opinion that viewed the Bosnian conflict as being outside of national interests. When the national interests differed, the Western world policies towards the conflict were 'short-sighted [and] haphazard' (*The Independent* 20.08.92). This was the failure of the New World Order that supposedly defended the interests of the international community.

In 1995, the American policy response to this conflict suddenly changed. After the massacre of 7,000 Bosnian Muslims in Srebrenica, the US doggedly insisted that the Serbs enter negotiation in Dayton, Ohio (Antony et al. 2009). A peace accord was eventually signed between Bosnia, Croatia and Serbia.

In 1997, another ethnic conflict erupted between the Serbs and the Albanian Kosovo Liberation Army in the Kosovo province of the new Yugoslav federation. NATO carried out its military intervention by launching 10,000 bombing missions to the targeted areas in Yugoslavia for 'seventy-nine straight days' (Keylor 2001 p. 483). When NATO decided that it would implement 'a full-scale military intervention' if the conflict

escalated, Milosevic subsequently withdrew his military forces from Kosovo (Antony et al. 2009).

4.2 The PRC, the KSA and the World

In the period between 1990 and 2000, a number of major events deeply affected the dynamic of China's relations with the US and Russia. To assess how this dynamic developed, the incident of Tiananmen Square and the disintegration of the Soviet Union will be particularly emphasized. During the same period, Saudi Arabia was also affected by the collapse of the USSR and the event in the Arab Gulf region. This sub-section will examine how the Gulf War of 1990-91 and the collapse of the USSR exerted a significant influence on US-Saudi relations as well as Saudi-Russian relations.

China experienced isolation from the international community due to the events within and outside the country. The events led by political motives carried disturbing implications for China's image on the international stage. The event of Tiananmen Square on June 3, 1989 led some of the Western countries to impose diplomatic and economic sanctions against China. Further isolation was also seen as an implication of the end of the Cold War and the break-up of the Soviet Union. The apparent implication was that China had become a major Marxist-Leninist state that had, nevertheless, survived in the international system. With this development, some of the critics in the Western world saw China as a potential hegemonic threat and suggested that the containment policy rather than engagement policy be adopted in dealing with China.

Deng Xiaoping seriously attempted to end the isolation by enhancing China's potential role and status in the international system and modifying its behaviour and conduct with other countries. The Chinese government introduced the 'One China, two systems' principle, which was applied to Hong Kong after Britain handed over the control to mainland China. Other key strategies that Deng Xiaoping pursued in enhancing China's image at the global level were to seek China's admission into the World Trade Organization; to minimize and solve the crisis with other nations; and to end China's ideological commitment to the communist insurgencies in other countries (Bader p. 74).

Moreover, China was also keen to strengthen its enviable position in the international system since it had identified itself as a 'promoter of global peace and prosperity'. At the same time, China closely observed its relations with the US and Russia. China shared with the US the loss of a common enemy and assumed its traditional role as an independent and anti-hegemonic actor. It actively attempted to shape its relations with the Western world based on the principle of openness to the outside world (Beylerian and Cavinet 1997).

US-China relations during the period between 1990 and 2000 were complicated and clearly affected by several contentious issues. The two countries carefully pursued policies towards each other and consistently attempted to repair and improve the bilateral relations. The Tiananmen Square incident in June 1989 led to the suspension of US-China military sales and halted any direct contact between the officials of the two countries. The negative implication of the Tiananmen Square incident on US-China relations did not last long. Bush administration renewed Most Favoured Nation (MFN) status to China because it believed that this initiative would allow the administration to engage with China in every aspect, including human rights.

The Taiwan issue persistently strained US-China relations. During Clinton's presidency, the visit of Taiwan's leader to the US in 1995 caused China to recall its ambassador in the US. In the following year, however, China and the US resumed exchanges between their leaders. In 1997 and 1998, the top leaders of the countries, President Bill Clinton and President Jiang Zemin, met in Washington and Beijing. In 2000, China resumed permanent, normal trade (previously known as MFN) with the US.

The Beijing-Moscow relationship improved through the regular visits of the leaders and an increasing number of memoranda and joint statements. The two countries also strengthened their bilateral strategic links, which resulted in a lessening of military competition and an overcoming of security challenges. Some events unfolded concerning the new development of China-Russian relations. In 1994, for instance, President Jiang Zemin and President Boris Yeltsin signed a declaration which banned the use of force and nuclear missiles against each other and mutually limited the number of military

troops stationed at the border. If this cooperation significantly improved, it would augment a shared interest between China and Russia to erect 'a global power pole' that could balance the US leverage (Lampton 2002).

Saudi Arabia. Two developments shaped the nature of the US-Saudi relationship (Niblock 2006). The first development was the Gulf War of 1990-91, which further bolstered US-Saudi cooperation in political and military aspects. The US greatly facilitated the political and strategic development of the Arab Gulf. The US, moreover, benefited from the strategic location and resources of Saudi Arabia as these satisfied some of its needs (Niblock 2006).

To protect the security interest of the Kingdom, as well as defend the Arab peninsular, a large number of American troops were deployed to Saudi Arabia. The promise of US Secretary of Defence, Dick Cheney, that these troops would return home 'after the danger is over', however, was not fulfilled. They remained in the Kingdom under the banner of 'dual containment' policy (Pollack 2002). Moreover, in the Gulf War aftermath, the US and Saudi Arabia signed several major contracts so as to increase the Saudi purchasing of military weapons.

The second development that influenced the US-Saudi relationship was the collapse of the USSR. This development led the US to reduce its support of Saudi in countering communism. The waning of such support was reflected in the subsequent development of Afghanistan (Niblock 2006). In Afghanistan, the Najibullah regime crumbled in 1992 and Mujahidin groups ruled the regime in 1993, led by Burhanuddin Rabbani. In 1996, the Taliban controlled Kabul, and in the years that followed, Pakistani and Saudi governments recognised the Taliban as a legitimate ruler, with Burhanuddin Rabbani as the head of state.

In September 1990, Saudi Arabia and Russia re-established diplomatic relations. The two countries exchanged views regarding the Gulf crisis and were anxious about the possibility of their interests being affected by this situation. Saudi Arabia improved its

relations with the Soviet Union because it needed to win international support of an imposition of embargo and the launch of a military offensive against Iraq.

Through a personal envoy in August 1990, King Fahd delivered an important message to President Gorbachev. Prince Bandar bin Sultan, who undertook this mission, seemed to convince the President regarding the Kingdom's decision to enter the war. The real reason behind the war, as he said, was to defend the Kingdom, and was not for the purpose of aggression. The Prince also hoped that the Soviet government could convince Saddam that his action was wrong and that Iraqi troops should be pulling out of Kuwait. In September of the same year, Saudi Foreign Minister Prince Sa'ud al-Faysal met his counterpart, Eduard Shevardnadze, in Moscow and the true intention of restoring full diplomatic relations, which had been suspended for about 52 years, was conveyed. Prince Saud further ensured that the two countries were ready to normalize bilateral relations (*The Russian Information Agency ITAR-TASS* 18.09.90). A number of positive developments could be identified in post-Cold War Riyadh-Moscow relations. Among these were an increase of bilateral trade and mutual investments, and the strengthening of bilateral ties. A number of constructive proposals and arrangements were also presented, which included joint research on environmental aspects, joint investment in oil extraction and shipments, and cooperation on various anti-terrorism campaigns.

4.3 The PRC, the KSA and the Middle East

China's diplomatic involvement in Middle Eastern issues gradually increased since the establishment of diplomatic relations with Saudi Arabia. China pursued its foreign policy towards the Middle Eastern region by advocating peaceful resolution in all issues and crises that occurred between 1990 and 2000. China and Saudi Arabia both embraced the notion of promoting and preserving 'regional peace and stability'. However, in some cases, the two countries adopted different policies, measures and options in advancing this notion. The objective of this section is to examine how China and Saudi Arabia implemented their policies and pursued their interests throughout the major events and issues that arose in the Middle Eastern region. It also examines where departures in policy existed between the two countries and the circumstances underlying them. The main focus of the analysis will be on events surrounding the Gulf War, the economic sanctions against Iraq and the Arab-Israeli conflicts.

4.3.1 The Gulf War and the Sanctions against Iraq

The Gulf War and the subsequent economic sanctions placed on Iraq presented two major challenges to the two-week old Sino-Saudi diplomatic relations. Initially, the policies of the two countries towards Iraq's military aggression were consistent. However, they gradually shifted direction when Operation Desert Storm started. In regard to a comprehensive economic sanction against Iraq, Riyadh and Beijing's policies were clearly contrary. However, when Saudi Arabia outlined an important initiative to ease the sanctions in the late 1990s, the policies became more aligned. The ways these countries responded to the unfortunate events of Iraq will be thoroughly examined in the subsections that follow.

The Gulf War in 1990-91

Iraq's attack on Kuwait occurred on August 2, 1990. After the military invasion, Iraq retained its foothold on Kuwait for nearly seven months. Iraqi leaders believed that the international conspiracy which attempted to undermine its power would remain in place despite the fact that Iraq intended to pull out its military forces from Kuwait. On August

6, 1990, the UN immediately imposed a series of multilateral and comprehensive sanctions against Iraq. From January 17, 1991 to February 27, 1991, the allied forces launched Operation Desert Storm against Iraqi troops in Iraq and Kuwait. The objective Operation Desert Storm was to reverse Iraq's aggression against Kuwait. Bringing together a coalition of 34 nations with the main contributors of the allied forces consisting of the US, Britain, and Saudi Arabia, the operation was tremendously successful. Iraq retreated from Kuwait, which Gause has termed as a 'humiliating withdrawal' (2009 p. 279). Despite its defeat in the Gulf War (between August 2, 1990 and February 27, 1991), the Iraqi regime continued to identify itself as a victorious power on the ground that Saddam's regime was still surviving in the aftermath of the war (Gause 2009).

The Saudi and Chinese governments strongly condemned and were against Iraq's military invasion of Kuwait. In the period prior to Operation Desert Storm, the official meetings between the leaders and top-level officials of the two countries did involve the issue of Saddam's military aggression. When Saudi Arabia invited foreign military forces to the country, Chinese leaders avoided making controversial comments. By all accounts, the policy behaviour of China and Saudi Arabia was inconsistent when the US-led air campaign (Operation Desert Storm) was launched against Iraqi military. China continued to call for a peaceful solution, whereas Saudi Arabia was reluctant to accept the peace policy.

The Saudi government resolutely opposed Iraqi aggression against Kuwait and forcefully reminded Iraq that Kuwait's legitimacy must be restored. In December 1990, the Saudi government repeated its stance toward the Gulf crisis through Saudi Press Agency, articulating 'the need for the complete and unconditional withdrawal of the Iraqi forces from Kuwaiti territories and the return of legitimacy there under the legitimacy of HH Shaykh Jabir al-Ahmad Al Sabah and his government' (*BBC Summary of World Broadcasts* 10.12.90). Prince Bandar Bin Sultan also made a statement urging the withdrawal of Iraq from Kuwait: 'Iraq must get out of Kuwait. The legitimate government of Kuwait must return' (*BBC Summary of World Broadcast* 24.08.90).

Iraqi aggression was one of the main issues raised in a conversation between China's President, Yang Shangkun, and Saudi ambassador to China, Tawfiq Alamdar, in August 1990. The President precisely articulated his government's resistance to Iraq's military invasion, whereas the Saudi ambassador only revealed the immediate response of his government to this assault. The President stressed the position of China in this issue, stating, 'we oppose Iraq's invasion and call on it to pull troops out of Kuwait promptly, thus restoring the sovereignty and territorial integrity of the country' (*Xinhua General News Service* 07.08.90). He also stressed that China had casted a vote for the UN Security Council Resolution 660 and the UN resolutions regarding the sanction against Iraq. The Saudi ambassador was perceived as having given his approval of the Chinese stance on this issue, when in fact the ambassador had merely commented that Saudi Arabia took 'a calm and thoughtful attitude' towards this event and expected that the issue could be immediately resolved (*Xinhua General News Service* 07.08.90).

Several months after the Iraqi military invasion, Premier Li Peng and Foreign Minister Qian Qichen drew their instantaneous reactions from different levels. At the state level, a peaceful solution of the crisis was consistently advocated. At the regional levels, the Minister conveyed his government's support to some organizations, and at the global level, the Premier primarily focused on the role of the international community. Also during these months, the Premier and Minister held separate meetings with their Saudi counterparts. In August 1990, Minister Qian Qichen said that China supported the statements of the Arab League and the Gulf Cooperation Council concerning the crisis. He also contended that the Iraq-Kuwaiti dispute should be resolved through the means of consultation. On September 20, 1990, Premier Li Peng met Saudi Foreign Minister Prince Sa'ud al-Faysal. The Premier called on the international community to take some measures that could prevent the Gulf crisis from worsening. On November 12, 1990, Foreign Minister Qian Qichen met King Fahd bin Abdul Aziz and emphasised that China would resume its efforts, which were aimed at seeking a peaceful resolution to the Gulf crisis. The effort would ensure a complete withdrawal of Iraqi armies from Kuwait.

The Saudi government at that time invited and deployed foreign armed forces to and from the Kingdom's soil. The foreign military deployment served two intended purposes: first,

to exercise self-defence and second, to secure Kuwait's liberation from Iraqi control. In August 1990, Prince Bandar bin Sultan explained why Saudi Arabia had deployed foreign armed forces in the country, firmly stating, '...aggression is not our aim. Our aim is to defend ourselves but not to attack. At the same time we must always be ready for the worst scenario, for self-defence against the adventurism of the other side' (*BBC Summary of World Broadcast* 24.08.90). This assumption was denied by President Saddam, who delivered an 'open message' to King Fahd on January 14, 1991. In his message, the President said that Iraq had no 'expansionist ambitions' to attack Saudi Arabia. He further stressed this in stating, 'the intentions and lies of the liars who brought the American forces and their allies to the land of sanctities on the pretext that Iraq intended to invade Saudi Arabia have been uncovered' (*BBC Summary of World Broadcasts* 16.01.91).

In October of the same year, Saudi Defence Minister Prince Sultan Bin Abdul Aziz revealed another purpose behind American military presence on Saudi soil, stating, 'these forces are here on the demand of the Kingdom of Saudi Arabia to achieve a certain objective – that is the withdrawal of Iraqi forces from Kuwait and restoring the legitimacy of Kuwait' (*BBC Summary of World Broadcast* 02.10.90). The Prince contended that Iraq would not withdraw its forces from Kuwait '...unless superior forces [than Iraq's] are available' (*BBC Summary of World Broadcast* 02.10.90). He was seen to have argued that American military deployment in the Kingdom was a possible solution to the Gulf crisis.

China carefully assessed the Saudi decision to request military assistance from foreign countries. China also attempted to reveal that it was aware of the volatile situation and acute crisis the Kingdom was facing. On August 8, 1990, Premier Li Peng was asked by a reporter to comment on the issue of the Saudi invitation of foreign military power into the country. The Premier clearly stated China's stance: 'in principle, we do not agree to big power military involvement. We do not want to see the already complicated situation in the Gulf area get more complicated. However, we respect and understand the defensive measure taken by Saudi Arabia, a sovereign state, out of consideration of its own security' (*Xinhua General News Service* 08.08.90). One may argue that China tended to

support foreign military presence in Saudi Arabia because it needed to preserve and strengthen the newly established diplomatic relations with the latter. In any case, the Gulf War that broke a few weeks after the diplomatic link was established was a real challenge to Sino-Saudi relations.

Chinese and Saudi policy decisions and responses regarding Operation Desert Storm were clearly contrary. Before the war against Iraq erupted, China was careful in making its decision, and continued to insist on the use of peaceful means in retreating Iraqi troops from Kuwait. By contrast, Saudi Arabia was firm in its decision and prepared to wage war. In November 1990, China completely abstained from voting on the UN Resolution 678, which approved the use of all necessary means to withdraw Iraqi armies from Kuwait after the deadline of January 15, 1991 (*Xinhua General News Service* 10.01.91). In January 1991, the Saudi government agreed to cover almost half of the total cost of American military deployment in the Gulf and the war against Iraq. Prince Bandar bin Sultan, who was the Saudi ambassador to Washington, in announcing this decision stated, 'I think our share of this operation will be 40 to 50 percent' (*The Guardian (London)* 12.01.91).

During Operation Desert Storm, China was seriously dissatisfied with the ongoing developments in the region and stood firm on pursuing a peaceful solution to the Gulf War. On January 17, 1991, the day that targeted places in Iraq and Kuwait were attacked by American air forces, China released a full statement that called the warring parties to exercise the utmost restraint and to avert an escalation of war. The Chinese government also expressed its deep anxiety and profound concern about this development. A few days later, Premier Li Peng promised that China would work with the international community to find a peaceful solution to the conflict. Before the attack was launched, the Chinese government and international community had sought peaceful settlement and attempted to avoid the war, but their strenuous efforts were unsuccessful. At the end of February 1991, Premier Li Peng repeatedly stressed that China supported any efforts aimed at reaching a peaceful solution to end the war.

King Fahd bin Abdul Aziz fully backed Operation Desert Storm. The King considered the allied attack as a viable option to ending Iraq's occupation of Kuwait and denied the Russian peace plan to avert the US-led military actions against Iraq. The Saudi King, in delivering his personal view on Operation Desert Storm, defended the logic of the operation, declaring, 'the military operation which started today constitutes the voice of right calling for lifting the injustice and restoring the situation to normal by implementing the international (UN) resolutions' (*United Press International* 17.01.91). One month into Operation Desert Storm, King Fahd made his response to the Soviet plan for a peace resolution in the Persian Gulf. The King repeatedly dismissed the plan, stating, 'we are hearing talk about a compromise... a compromise cannot be accepted unless the Iraqi troops withdraw completely and without conditions from Kuwait...the only thing we accept is total withdrawal' (*United Press International* 19.02.91).

Economic Sanctions against Iraq

China aggressively sought a diplomatic solution for Iraq's humanitarian crisis throughout the period of the economic sanctions. It consistently called on the international community to consider lifting the sanctions and urged Saddam's regime to broadly adopt the UN resolutions. The Saudi policy towards the Iraqi sanction regime was inconsistent with China's policy, specifically in the early years of implementation. The reason Saudi Arabia supported the imposition of economic sanctions against Iraq stemmed from a security threat within the Iraqi government. The Saudi leader, moreover, was doubtful of the call for lifting sanctions, though his government was increasingly aware of the humanitarian catastrophe in Iraq. The Saudi government, however, laid the blame on Saddam's government for having triggered and worsened this crisis. At the end of the 1990s, the Saudi government eventually agreed to the easing of sanctions.

China was very concerned and sympathetic with regard to the humanitarian crisis in Iraq. It persistently called for cooperation from the international body and Iraqi authority to reduce the negative and devastating impact of the crisis. In 1991, China supported the UN to deploy any measures that could relax the economic sanctions against Iraq. It also implored the international community to consider lifting these sanctions as quickly as

possible, as well as to lift the restrictions on the delivery of food and urgent necessities to civilians. At the same, China also urged Saddam's regime to enhance its cooperation with the Security Council in implementing the UN resolution. To lift the sanctions, as China insisted, Iraqi authority should repair its poor relations with other Arab Gulf states. This improvement would hopefully create an environment conducive to the withdrawal of the sanctions.

For the Arab Gulf states, the repairing of the relationship with Baghdad was not a viable option. Saudi Arabia extended its support for the implementation of economic sanctions against Iraq due to the security threat that Saddam's regime had posed. More specifically, the first reason Saudi Arabia supported these sanctions was revealed in a commentary given by Saudi officials, who said that the economic sanctions against Iraq would be pursued if Saddam Hussein remained in power. The second reason was the support of the GCC members in June 1992 of the UN decision to maintain its comprehensive economic sanctions against Iraq. The reason for the resumption of this sanction was to force Iraq to abide to all international obligations with no exception to the removal of Weapons of Mass Destruction (WMD) (*Xinhua General News Service* 03.06.92).

Saudi Arabia continually criticized the political behaviour of Iraq's regime, stating that Iraq had manipulated the UN resolutions, especially those related to a demarcation of the Kuwait-Iraq border and the Kuwaiti prisoners. Iraq was also seen to have avoided its full compliance to the resolutions. From the Saudi point of view, these behaviours caused severe implications to innocent Iraqis. Saudi Permanent Representative to the United Nations Jaafar al-Leqani in commenting on Iraq's attitudes stated, 'Ironically, this regime has given itself a right to starve and humiliate the Iraqi people...it has falsely blamed the international community for the dangers and hardship being faced by the country' (*Moneyclips* 15.10.93).

The nature of China's policy towards the economic sanction against Iraq had not altered much from the years since the UN economic sanction had initially been imposed. It continued to urge Iraq to strengthen its cooperation and increase its dialogue with the UN. In a meeting of China's Foreign Minister, Qian Qichen, with his counterpart from

Iraq, Mohamed Said al-Sahaf, in August 1994, the Chinese leader maintained China's belief that the differences in the implementation of the UN resolutions could be amicably resolved. Concerning the humanitarian crisis, China agreed to increase its assistance to Iraq by sending more medicine and food to Iraqi civilians (*Xinhua News Agency* 24.08.94).

While battling for the humanitarian rights of the powerless citizens under the sanction regime, China found that its policy behaviour towards this sanction was consistent with that of Russia and France. These three permanent members of the UN agreed on the need for Iraq to make efforts to comply with the UN resolution. Aside from this progress, China constantly urged the international community to objectively evaluate Iraq's compliance with the UN resolutions and to consider a possibility of gradually lifting the economic sanctions.

If China called for an end of the sanctions, Saudi Arabia re-emphasized its commitment to their continued implementation. The Saudi leader was hesitant about the idea of lifting the sanctions. In the October 1994 meeting, President Bill Clinton and King Fahd mutually agreed that if Saddam's regime refused to fully comply with the UN resolutions, any motion aimed at lifting the sanction would be considered premature. The two leaders further agreed that any attempts to lift the sanction beyond the framework of the UN would encourage Saddam's regime to continue pursuing its hostile policies. Although the two leaders were sympathetic toward the suffering of the Iraqi people, they nevertheless claimed that the humanitarian catastrophe was the responsibility of Saddam's regime (*Moneyclips* 29.10.94).

In March 1995, Kuwait News Agency (KUNA) reported that Saudi Arabia and the US re-emphasized the reason that the UN sanctions should be retained, and yet could be lifted if Saddam's regime complied with the resolutions regarding the invasion of Kuwait. The report also claimed that the assurance was delivered in a meeting of the US Defense Secretary William Perry and Prince Sultan bin Abdul Aziz in the Kingdom (*Xinhua News Agency* 20.03.95). In the same month, unanimous support for the continuation of UN

sanctions against Iraq was reiterated by all GCC members. This was presented during a meeting with the US officials (*Xinhua News Agency* 13.03.95).

Despite its support of the continuation of sanctions against Iraq, the Saudi government also intended to improve the situation of a deteriorated humanitarian crisis. At least three approaches were adopted to ameliorate this situation. Firstly, the Kingdom insisted that Saddam Hussein comply with the UN resolutions related to the invasion of Kuwait. King Fahd expressed this concern, stating, 'The Saudi Kingdom is deeply distressed by the suffering of the Iraqi people which is caused by the Iraqi ruler's stubbornness of not responding favourably to the resolutions' (*Agence France Presse* 05.03.96). Secondly, the Kingdom welcomed an Oil-for-Food Program that could minimize the suffering of Iraqis under the sanction regime. As reported in Saudi Press Agency, a Saudi spokesman affirmed, 'Saudi Arabia has constantly supported efforts by the UN Security Council to guarantee the humanitarian needs of the brother Iraqi people' (*Agence France Presse* 23.05.96).

Thirdly, the Kingdom apparently offered humanitarian assistance to Iraqi civilians. The real reason behind the Kingdom's humanitarian aid was to assist the suffering people, and not the leaders. This effort was not to be interpreted as a rapprochement between the Kingdom and Iraq. Saudi Defense Minister, Prince Sultan bin Abdul Aziz, claimed, 'Saudi assistance to the Iraqi people is within the framework of the policy of the Kingdom to help people in need and not of normalization, because is a political matter, while assistance is a humanitarian question' (*Agence France Presse* 24.06.98). This was reiterated by Crown Prince Abdullah, who said, 'We can support the Iraqi people in its crisis, but we cannot support those who are the cause of their suffering' (*Agence France Presse* 08.12.98).

Greatly concerned with the deteriorated lives of Iraqi civilians, China acted decisively to end the sanction. In October 1997, China was one the five nations that chose to abstain during the voting process for a new UN resolution against Iraq. The US, who wanted to see another sanction get imposed on the country, lamented this decision. In 1998, a call for an end to the sanctions against Iraq was made. According to Vice Premier Qian

Qichen, this repeal needed to be performed and the UN was to provide an objective and fair assessment of the inspection of Iraqi weapons. This statement was delivered during a visit of Iraqi Special envoy to China, led by Amir Mohamed Rashid (*Xinhua News Agency* 29.05.98).

Iraq's authority won Chinese sympathy in regards to the suffering of its people, but it was unable to change the Saudi political disposition towards the sanction. The Iraqi sanction regime would remain if its leaders continued to deceive the international community and create new crises. Saudi Crown Prince Abdullah reminded Iraq of this when stating, 'the sanctions cannot be lifted until Iraq has implemented UN resolutions and changed its foot-dragging and deception' (*Agence France Presse* 08.12.98). The Crown Prince further stated that 'provoking successive crises, by shirking responsibilities and blackmailing the whole world by showing scenes of suffering' would not lift the sanction (*Agence France Presse* 08.12.98). Again, Saudi Arabia informed Iraq that the suspension of sanction would be made if the UN resolutions were respected. In the GCC summit in December 1998 in Abu Dhabi, Saudi Foreign Minister Prince Sa'ud al-Faysal also stressed that the ease of the sanctions was absolutely contingent upon Iraq's behaviour, and 'not on Saudi Arabia or other parties' (*Agence France Presse* 08.12.98).

Although Saudi Arabia denounced the attitude of Iraq's government in dealing with the humanitarian crisis, it eventually modified its posture toward the sanction in 1999. The Saudi effort towards lifting the sanction was significant, for it indicated that Saudi Arabia and China's policies toward the sanction were relatively aligned. In a meeting of foreign ministers of the Arab Gulf states, Saudi Arabia proposed a withdrawal of the sanction. It was suggested that the reason behind this proposal was to allow the sending of food and medicine, and not military equipment, to the sanction regime. This news, however, was not welcomed by Iraqi Deputy Prime Minister, Tariq Aziz. He was sceptical of this initiative because Saudi Arabia had been a close ally of the US and the UK since the outbreak of the Gulf war. Tariq Aziz stated, 'it is not expected that Saudi Arabia comes with honest and positive proposals for the interest of Iraq' (*Xinhua News Agency* 10.01.99).

Twelve months later, the move to lift the sanction was gradually put into effect. During a visit of Madeleine Albright to Riyadh, the US and Saudi leaders agreed on the need to devise appropriate mechanisms concerning the suspension of the sanction. This suspension, however, would depend on Iraq's decision on whether or not to allow the return of the UN weapon inspectors into the country (*Xinhua General News Service* 07.12.91).

In 1999, China took two important steps to loosen the sanction. Its Deputy Permanent Representative to the UN, Shen Guofang, insisted that a number of the UN Security Council members accelerate the approval of the contracts related to the Oil-for-Food Program. The implementation of this program, which had begun on December 10, 1996, had been hindered when oil sales were low. Iraq was incapable of producing more oil due to the sanction that suspended the contracts for oil industry equipment. Along with Russia and France, China also sent a draft proposal to the Security Council, requesting a suspension of sanctions against food for the civilians, financial transactions, and air and sea embargoes. The suspension was to take effect the first 100 days following the report concerning the system of monitoring and verifying of weapons had been submitted by the Secretary General of the UN.

In 2000, China and Saudi Arabia remained steadfast in their attempts to alleviate the humanitarian crisis and strive to meet the pressing needs of Iraqi civilians. In urging the lift of the sanction, China emphasized the responsibility of the sanction's originator, whereas Saudi Arabia stressed the role of the sanction's target. China consistently implored the international community to be fair in evaluating the compliance of the Iraqi authority with the UN resolutions, and to respect the independence, sovereignty and territorial integrity of Iraq. King Fahd continued to communicate his regret over the suffering of Iraqi civilians and urged Iraq to implement all the UN resolutions so that the economic sanctions could be waived. In the same year, Saudi Arabia reopened its border with Iraq, easing the movement of truck traffic (*The Washington Post* 22.11.00). This effort facilitated the flow of civilian goods to the Iraqis.

4.3.2 The Arab-Israeli Conflicts

The Saudi and Chinese officials consistently voiced their understanding and support regarding the Palestinian struggle and strongly stressed their countries' positions on the Middle East's issues. The Palestinian issue, in particular, was generally viewed as the factor that influenced the security development of the region. In July 1991, for example, a meeting between Undersecretary in Charge of Political Affairs, Abdul Rahman al-Mansuri, and the Chinese State Councilor and Foreign Minister, Qian Qichen, emphasized the support of their countries concerning the struggle (*Xinhua General News Service* 10.07.91). Abdur Rahman al-Mansuri also said, 'there will be no peace and stability in the region if we cannot find a solution to the Middle East problems.' Minister Qian Qichen shared the same perspective by accentuating that the Palestinian issue was 'the key to the final solution of the Middle East problem' (*Xinhua General News Service* 10.07.91).

A meeting between Premier Li Peng and King Fahd Abdul Aziz in 1991 drew attention to the integral components required for the solution of Arab-Israeli conflict. The top leaders of the two countries clearly iterated that China and Saudi Arabia occupied privileged positions in offering a solution to the conflict. China's Vice Premier, Li Lanqing, attempted to convey that China was part of the struggle of the Arab governments regarding this conflict.

Premier Li Peng and King Fahd made a joint call for the solution of the Middle Eastern issue. The Premier pressed for the implementation of UN Security Council Resolution 242 and 338 on the Palestinian issue and Israel's withdrawal from the Arab lands, while King Fahd urged for the Palestinian rights of return. Apart from the joint call, the leaders reviewed the role and positions of China and Saudi Arabia in this issue. For the King, China could devote considerable attention to the Middle Eastern problem since it was one of the five permanent members of the UN. For the Premier, the Fahd plan, which was originally introduced in the Arab Summit in 1981, was 'wise and still applicable'. The Premier also expressed his satisfaction with the Kingdom's stance and its commitment to the Palestinian issue. He also stated that China had shared identical perceptions with the King's belief that the Palestinian issue was the major problem in the region (*Xinhua*

General News Service 10.07.91). China's support for the Arab governments was reinforced by Vice Premier Li Lanqing, who, when visiting Saudi Arabia in 1993, delivered a message of his government's support to the Arab moves towards 'a just, peaceful and comprehensive solution' of the Middle Eastern issues (*Xinhua General News Service* 27.03.93).

In the meetings between the Chinese leaders and Saudi high-ranking officials in 1995, the significance of the Sino-Saudi relations in preserving the peace and stability in the region was highlighted. The Chinese leader continued to emphasize the strong position of Saudi Arabia in the region, showing that China needed the Kingdom to exert perpetually its regional influence on the Middle Eastern issues. President Jiang Zemin, who met Prince Khaled bin Abdul Aziz in March 1995, stressed that a strong Sino-Saudi relationship was a crucial factor for 'keeping Asia stable and in maintaining world peace,' (*Xinhua News Agency* 28.03.95). Seven months later, Premier Li Peng emphasised that Saudi Arabia was an influential state in the Gulf and that its position was important in preserving peace and stability in the area (*Xinhua News Agency* 24.10.95).

In assessing the significance of Sino-Saudi relations in promoting regional peace and stability, the following analysis will identify how the two countries responded to the Oslo Accords, the Camp David Summit and the Second Palestinian Intifada. In brief, the Oslo Accords, which were seen as the major accomplishment of the Middle East Peace Process, received a genuine compliment from China and Saudi Arabia. For the Camp David Summit, the two countries heavily backed the PLO and Palestinians. The leaders of the two countries, moreover, undertook face-to-face consultations with Arafat before and after the summit ended in failure. During the Second Palestinian Intifada, the two countries were completely opposed to the Israeli military assault on the Palestinians. China used its position as a permanent member of the UN to quell Israeli's sporadic violence. In the meantime, the Saudi government continued to relieve the hardship and suffering of the Palestinians through a number of urgent measures.

Oslo Accords

The Oslo Accords embrace two major agreements; Oslo I and Oslo II. Oslo I, known as *the Declaration of Principles*, is also referred to as the Declaration of Principles on Interim Self-Government Arrangements. It was signed between PLO Chairman Yasser Arafat and Israeli Prime Minister Yitzhak Rabin on September 13, 1993 in the US White House. Oslo II is known as *the Interim Agreement* that was signed on September 28, 1995. Arafat and Rabin met again in the White House and signed ‘the Interim Agreement on Implementation of the Declaration of Principles’.

The Israel-PLO Declaration of Principles (Oslo I) marked significant achievement: the mutual recognition of Israel and the PLO; Israel’s withdrawal from the Gaza Strip and Jericho, as well certain areas of the West Bank for a period of five years; and the establishment of the Palestinian Authority (PA), which earned self-governing powers. Under the Interim Agreement (Oslo II), the Palestinian Council, the key component of Palestinian self-government, was established and replaced the Palestinian Authority. Moreover, as part of this agreement, Palestinians and Israelis were legally obliged to undertake specific responsibilities (Watson 2000). The Interim Agreement, among other issues, detailed the stages of Israeli military redeployment and the process of transferring power.

In the period between the Gulf War and the signing of Oslo I, China and Saudi Arabia had different policy behaviour, interests and concerns regarding the PLO. The reason for such differences was due to the strained relationship that Saudi Arabia and the PLO had been experiencing since the Gulf War. The Saudi government intentionally withheld financial aid to the PLO because of the latter’s contradictory posture during the war. A few months before Oslo I was ratified, the PLO representatives expressed their regret for the decision to support the Saddam regime. By contrast, the PLO enjoyed a long-standing relationship with China during this period. In the aftermath of Oslo I, the policy response, interests and concerns of China and Saudi Arabia towards the PLO were identical since Saudi Arabia had gradually improved and restored its relationship with the PLO. China and Saudi Arabia continued to support Oslo II, reflecting their identical and consistent policies towards the PLO.

PLO Executive Committee Member, Mahmud Abbas, visited Saudi Arabia in January 1993. His visit raised a serious concern over whether the Saudi-PLO relationship would be mended. A Saudi source reported that this visit was at the request of Abbas, who clearly intended to attend a celebration of 28th anniversary of the Palestinian Revolution. The objective of the visit was claimed to have no other purposes (*BBC Summary of World Broadcasts* 12.01.93), but it afforded Abbas a good opportunity to repair the PLO's relationship with Saudi Arabia by expressing his sincere regret for taking the PLO's stand in favour of Iraq during the Gulf crisis. He said that 'the PLO never meant to support aggression or take the part of wrong side' (*BBC Summary of World Broadcasts* 14.01.93). Palestinian ambassador to Riyadh, Subhi Abu Karsh, also conveyed his regret concerning the Palestinian position during the Gulf crisis. These expressions of regret were given a rational response by Prince Salman bin Abdul Aziz, the organiser of this event. The Prince wisely remarked that the Kingdom supported the Palestinian struggle, and sought a just solution to the issue of Palestine (*BBC Summary of World Broadcasts* 14.01.93). In June of the same year, Prince Salman, the Chairman of the Popular Committees for Assisting the Palestinian Mujahidin in Saudi Arabia, ordered the Director General of this organization to donate a SR 10,405,801 to the PLO. A certain amount of financial contribution had been already made in previous months (*BBC Summary of World Broadcasts* 10.06.93).

A few weeks before Oslo I was concluded, the PLO authority and Chinese government visibly promoted a significant development in the relationship. The PLO and Chinese leaders exchanged their views, updated the progress of the peace process and attained an important agreement between them. On his way to Pyongyang in July 1993, Arafat briefed China's Vice-Foreign Minister at the Beijing airport on the recent developments of the peace process. In the following month, a protocol agreement between the representatives of the CCP and the Fatah Movement was formed. The protocol indicated a strong link between the two parties that was officially established in October 1992. Through the protocol, the exchange visits of the leaders and members of the groups were expected to increase (*BBC Summary of World Broadcasts* 06.08.93).

In a visit of Arafat to Beijing after Oslo I was concluded, the Chinese government expressed a deep appreciation concerning the lifelong struggle of the PLO and the Palestinians in general. Arafat's success in the Oslo Accord received high praise and gratitude from top Chinese leaders. President Jiang Zemin gave a warm congratulation and stated, 'We are glad to see that the Palestinian people have made important achievements in realizing their final'. The President highly stressed that this accord was the result of a long-term struggle of the Palestinian people and the sound policies pursued by the PLO. The President assured Arafat that China was willing to participate in the reconstruction of Palestine and to expand its close cooperation with the PLO (*Xinhua General News Service* 22.09.93). Premier Li Peng extended his compliments to Arafat, stating, 'this is a good beginning'. For Arafat, the overwhelming support from the Chinese leaders merited deep gratitude. On behalf of the Palestinians, Arafat expressed his sheer admiration for the leaders and people of China and remarked, 'the Palestinian people are proud of their true friends like the Chinese people' (*Xinhua General News Service* 23.09.93).

China was also an important country to Israel. After a visit of Arafat to China, the Chinese government received an official visit of an Israeli leader, who intended to benefit from good and cordial relations between China and Arab states. In the middle of October 1993, Prime Minister of Israel, Yitzhak Rabin, visited Beijing for five days. In this visit, Rabin discussed the significant progress of the Middle East Peace Process with China's counterparts. He hoped that the Chinese would play a greater role in the peace negotiations and believed that China's relation with the Middle Eastern countries could ensure the implementation of an Israeli-Palestinian agreement. In expressing his positive expectations, Rabin said, 'China has got good relations with many of the Arab-Islamic countries in the region, and no doubt, the support of China for the agreement between the PLO and Israel, which was expressed publicly, can bring about assistance to the implementation of the agreement'. He further deemed that China's support of the Israel-Palestinian agreement would be able to 'mute the opposition' to this accord (*Xinhua General News Service* 13.10.93).

The Palestinians not only won Chinese support, but also regained Saudi backing for their struggle against Israel. Within this struggle, Oslo I received an appropriate response from Saudi Arabia. It could be argued that the Kingdom was well prepared to mend its relationship with the PLO. In September 1993, through Minister of State and Member of the Saudi Council of Minister, Muhammad Ibrahim Mas'ud, King Fahd delivered the support of Saudi Arabia to the Declaration of Principles and the earnest endeavour of building the state of Palestine with Jerusalem as its capital (*BBC Summary of World Broadcast* 22.09.93). Instead of offering moral support, Saudi Arabia demanded that the PLO make a public apology in the ensuing month. The demand was due to the PLO's stand in support of Saddam Hussein following the invasion of Kuwait in 1990 (*BBC Summary of World Broadcast* 28.10.93).

The Palestinians continued to gain moral and financial support from a particular independent organization and individual in Saudi Arabia. A communiqué was issued by the Islamic World League during its session in Saudi Arabia in December 1993, and chaired by the General Mufti of the Kingdom of Saudi Arabia, Shaykh Abdul Aziz bin Abdullah bin Baz. This communiqué, among other things, placed emphasis on Jerusalem as being the first and the utmost concern and consideration of every Muslim, and that there was not right to surrender Jerusalem to Israel. The communiqué also denounced the Israeli Supreme Court for declaring the Al-Aqsa mosque to be part of its territory. All Muslims, therefore, were enjoined to have a strong united voice in resolving the Palestinian issue (*BBC Summary of World Broadcast* 30.12.93).

In addition to this communiqué, a voluntary donation to the Palestinians was made by Prince Salman bin Abdul Aziz. The amount of the donation was SR 7,130,280 and was mainly directed to the PLO in October 1993 (*BBC Summary of World Broadcast* 05.10.93). In the following month, Prince Salman also made a SR 5,500,761 donation to the PLO (*BBC Summary of World Broadcast* 03.12.93).

China and Saudi Arabia were the committed supporters of the PLO and the Palestinians. When Oslo II was signed between Palestinian and Israeli leaders, the policies of the two countries towards this agreement remained similar and sound. The Saudi leader delivered

his clear view regarding the agreement. At the same time, his government pledged to grant financial aid to the PLO. The Chinese government was pleased with the remarkable achievement that the PLO had made, and stressed its full support to the Palestinians.

Saudi Arabia continued to bolster its moral and financial support and devote considerable attention to the Palestinians. On October 2, 1995, in a meeting of the Council of Ministers in Jeddah, King Fahd viewed Oslo II as 'a positive step toward a just and comprehensive peace' (*United Press International* 03.10.95). The King also communicated his view that Israel needed to reach an agreement with Syria and Lebanon since the wars between Israel and the two Arab countries were still going on. On the following day, Arafat reportedly met with Crown Prince Abdullah bin Abdul Aziz in Al-Salam Palace in Jeddah. However, the meeting agendas were not released by the Saudi Press Agency. With regard to Saudi financial aid to the PLO, on September 29, 1995, the Saudi government officially announced that a donation of USD 100 million would be directed to the Palestinian Authority, which was under the leadership of Arafat (*United Press International* 03.10.95). In the same month, Prince Salman bin Abdul Aziz directed the Popular Committee for Assisting Palestinian Mujahidin to make a donation of SR 3.12 million to the PLO (*Moneyclips* 27.09.95).

China also showed its continued support to Palestine and reasonably valued the PLO's achievement. On September 20, 1995, the Secretary General of the Democratic Front for the Liberation of Palestine (DFLP), Nayif Hawatimah, met with Vice-Chairman of the National Committee of Chinese People's Political Consultative Conference (CPPCC), Wu Xueqian, in Beijing. In the meeting, the Chinese official publicly stressed the Chinese government's strong and continued support to the just cause of the Palestinians. Regarding Oslo II, the spokesman of Chinese Foreign Ministry remarked that his government welcomed the agreement (Oslo II).

Camp David of 2000

During a nearly 10-month deadlock in the peace negotiation between Palestine and Israel, Yasser Arafat and Ehud Barak met at Camp David for 14 days. The two leaders began the Camp David Summit on July 11, 2000 in which the US was a peace negotiator.

Ehud Barak tabled the Israeli proposal. He clearly stated that Israel would abandon the pre-1967 war border, but demanded the annexation of a Jewish settlement in the West Bank. Barak continued to insist that the Palestinians accept having all of Jerusalem serve as the 'eternal capital' of Israel. Regarding the cause of Palestinian refugees, Barak stressed that Israel had no legal responsibility.

The Camp David Summit rendered no results. There are certain reasons behind Arafat's failure to reach an agreement in this summit. First, the Palestinian delegation, as Shlaim (2009) argued, held differing views regarding the proposal: one side was optimistic, contending that this summit would help put the conflict behind them, while another side was sceptical, seeing that some of the Palestinians' rights had to be sacrificed. One of these rights was the right of return for refugees from 1948. Second, this delegation was under pressure to preserve Muslim rights, specifically the right over the Old City of Jerusalem. The pressure came from the two regional powers, namely Egypt and Saudi Arabia.

A report from an Israeli Radio claimed that the Jerusalem dispute that was raised in the Camp David Summit was a hardly compromised issue. The report showed that the Palestinians had demanded full sovereignty over Jerusalem. For this demand, Saudi Arabia and Egypt were allegedly reported to have asked Arafat not to bargain on this issue unless a full sovereignty to Palestinian had been guaranteed (*BBC Monitoring Middle East* 18.07.00).

China and Saudi Arabia certainly lent their moral support to the PLO representatives at the Camp David Summit. The support signified close and high-level contacts, as well as the long-standing commitments, that the two countries had been making regarding the Palestinian issue. In this case, the PLO was seen to have placed undue reliance on Riyadh

and Beijing. During a conversation with the PLO leaders, China's President convinced the former that there would be no changes in its support to the just struggle of the Palestinians. President Jiang Zemin said, 'no matter what happens, China will never change its stand of supporting Palestine's just cause'. China also agreed with the decision of the Palestinian government to choose a peace negotiation as a mechanism to solve the conflict. This was underlined during a President's visit to Palestine in April 2000, a few months before the Camp David Summit was held (*Xinhua General News Service* 15.04.00). On the Palestinian side, this visit was made at the right time, meaning that President Jiang's visit was absolutely vital at this critical stage of the peace process. Moreover, Palestinian leaders recognised that China's support had enabled them and the Palestinians as a whole to face every difficulty and challenge.

Saudi Arabia continued to have regular consultations with the PLO, clearly indicating its substantial leverage on the Palestinian issue. Before the summit was convened, Arafat and Crown Prince Abdullah discussed the progress of the peace process on July 6, 2000 via a telephone call. In this conversation, Arafat briefed the Crown Prince about an invitation of the US President for a summit with the Israeli Prime Minister (*BBC Summary of World Broadcasts* 08.07.00). While the summit was underway, Saudi Arabia was one of the countries involved in 'semi-daily contact' with the Palestinian representative to the summit. One of the reasons for such contact was to insist on the completion of a peace process and to toughen the stance of the Palestinian team (*BBC Monitoring Middle East* 24.07.00).

Saudi Arabia and China extended a close and deliberate observation of the progress of the peace process. Soon after the summit had ended, the leaders of the two countries conducted separate meetings with Arafat. What could be concluded from the meetings was that the two countries firmly backed Arafat though there were some critics that blamed him for the failure of the summit. In addition, an unremitting commitment that the two countries had been giving in the peace talk, regarding the Palestinian struggle in particular, clearly implied Saudi and China's constant aspiration in the region was to see peace and stability.

Immediately after the Camp David Summit was concluded, a meeting between the Saudi and Palestinian leaders was organized on July 30, 2000 at Royal Office in Al-Salam Palace in Jeddah. Arafat met with King Fahd and Crown Prince Abdullah to discuss the result of Camp David Summit (*BBC Summary of World Broadcasts* 01.08.00). The Saudi and Palestinian leaders were apparently also to discuss Jerusalem issues in the upcoming meeting of Arab and Muslim leaders.

Chinese leaders expressed their disappointment and frustration at the failure of this peace talk, and took the initiative to meet the leaders of the two conflicting parties. Zhu Bangzao, who was the spokesman of the Ministry of Foreign Affairs, expressed the disappointment of the China's government, stating, 'we deeply regret that the negotiations failed to reach an agreement' (*Xinhua General News Service* 26.07.00). During a visit of Arafat to China in August 2000, President Jiang Zemin reemphasized the displeasure of his government concerning the recent development of the US peace process (*Xinhua General News Service* 14.08.00).

A few days after Arafat's visit to Beijing, China's Vice-Premier, Qian Qichen, had a meeting with Shimon Peres, Minister of Regional Cooperation of Israel. The Vice Premier presumably intended to seek an understanding regarding the collapse of the summit from the Israeli side. At the same time, he also presented his view on how this conflict should be peacefully resolved. Peres briefed the Vice-Premier on the outcome of the summit, and hoped that China would hold a greater position in the peace negotiation. The peace talk, as the Vice-Premier replied, would not be accomplished overnight since the issue concerned was complicated. Therefore, in his opinion, this difficulty could be gradually overcome if both parties (Israelis and Palestinians) demonstrated their sincerity and mutual trust, and adopted the UN resolution and the principle of a 'land for peace' (*Xinhua General News Service* 17.08.00).

China's President was keen to see that Israel would adopt the UN resolutions and promote good values in the peace process. He continuously solicited the valuable contribution of the international community for a solution to this conflict. President Jiang Zemin said, 'We hope that the Israeli government will implement relevant UN

resolutions concerning the Middle East issue and agreements reached with Palestine, and engage in sincere and practical negotiations with the Palestinian side'. The international community, moreover, was to continue promoting peace and providing help for these conflicting nations. As a permanent member of the UN, China would work along with the international community in realizing 'comprehensive, equitable and lasting peace in the Middle East' (*Xinhua General News Service* 26.07.00).

In brief, the collapse of Camp David Summit unveiled a shared frustration between China and Saudi Arabia towards the American-sponsored Middle East Peace Process. This apprehension was prolonged when the Palestinian uprising broke out a few months later.

The Second Palestinian Intifada

This event occurred after a visit of Ariel Sharon to Al-Aqsa mosque on September 28, 2000. The Palestinian frustration and anger towards the collapse of Camp David talks was also said to be one of the factors that sparked this event.

China and Saudi Arabia immediately responded to the extreme and continued violence of Israeli authorities against the Palestinians. The two countries used various means of voicing their grave concerns over the terrible hardship of the Palestinians. China fittingly used its position as a permanent member of the UN in calling for an immediate halt of the brutal aggression. As a responsible, regional power and a Muslim brother of Palestine, Saudi Arabia continually attempted to alleviate the unbearable suffering of the Palestinians.

China explicitly rejected Israel's unacceptable and violent behaviour towards the Palestinians. It responded immediately to the event. Since this event triggered severe implications to the Palestinian people and the ongoing process of peace negotiation, China vehemently insisted that the two conflicting parties end the fighting. To solve the Israeli-Palestinian conflict, as China seriously contended, the peace talks should be accelerated again. China, moreover, was upset with Israeli military forces excessively deploying heavy weapons in their aggression towards the Palestinians. The use of force

against these civilians, as China continued to criticise, should be also condemned by the international community. Chinese denunciation of Israeli aggression was clearly demonstrated in its vote for the Resolution 1322 of the UN Security Council.

Saudi Arabia's reactions to this event were also immediate and intense. During the conflict, the Saudi and Palestinian leaders held urgent consultations, which reflected that the lives of the Palestinians were the main priority of Saudi policy, and concern over the suffering of the Palestinians was widely shared by the Muslims in the Kingdom. Crown Prince Abdullah made a telephone call to Arafat, asking about the latest development in the Palestinian territories. The Crown Prince was notified of the devastating effects of Israeli aggression, and the huge numbers of fatalities and victims. Instead of pledging the Kingdom's full and firm support to the Palestinian just struggle, the Crown Prince conveyed his deep sadness to the suffering of the Palestinians (*Xinhua General News Service* 13.10.00). Arafat also met with King Fahd at Al-Yamamah Palace (*BBC Summary of World Broadcasts* 11.12.00).

The Saudi government granted financial support to the Palestinians, reflecting its great concern and heartfelt sympathy for the suffering Palestinians. On September 30, 2000, the PLO received USD 800,000 from the Kingdom (*BBC Summary of World Broadcasts* 30.09.00). In November of the same year, Salim al-Za'nun, Palestine National Council speaker arrived in Saudi Arabia, and expressed his appreciation of the Kingdom's political and material contribution to Palestine. In this visit, the Palestinian National Authority received another USD 30 million from the Kingdom (*BBC Monitoring Middle East* 09.11.00). Prince Naif bin Abdul Aziz, who was an Interior Minister and Chairman of the Saudi Committee for the Support of Al Quds Intifada, also ordered a donation of USD 5000 for every family of Palestinian martyrs. This donation was part of the Kingdom's program of supporting those Palestinians who endured the harmful consequences of Israeli aggression (*BBC Monitoring Middle East* 14.11.00).

4.4 The PRC and the KSA

The establishment of the Sino-Saudi diplomatic relations was greatly facilitated by the efforts of the top-level officials of the two countries. These efforts were immensely successful when the Saudi high-ranking officials managed to tackle the sensitive issues concerning the shift of the diplomatic recognition from Taiwan to the mainland China. The historical development of the KSA-PRC diplomatic relations certainly had significant implications to the relationship of Saudi Arabia with Taiwan. In preventing any forms of negative implications, the Saudi and Taipei governments undertook appropriate measures to preserve a long-standing bilateral ties. With regard to the Riyadh-Beijing newly established diplomatic link, the Chinese and Saudi governments gave a high priority to the economic agendas in developing the relationship. The trade cooperation and mutual investment in the energy and non-energy sectors will be the central focus in assessing the implementation of these agendas.

4.4.1 The Establishment of Diplomatic Relations

This section will analyse the developmental process of diplomatic relations between the PRC and the KSA. The high-ranking officials of these two countries were the active players of the process. Their official exchange visits in July 1990 resulted in the establishment of diplomatic relations. The Saudi and Chinese governments eventually formed embassies. The ambassadors that were appointed by the heads of the state had been engaged in the Sino-Saudi relations for many years. Some of the factors leading to the establishment of diplomatic relations included Saudi's changing perceptions towards the PRC and the Sino-Saudi missile deals. These factors were critically assessed in Chapter 3.

The meetings held between the high-ranking officials of the two countries served as the means to developing Sino-Saudi diplomatic relations. The officials mutually recognized that they had a strong basis from which to establish this relationship and had a common understanding of the principles that would guide future relations. July of 1990 was a pivotal month in the history of the relationship between China and Saudi Arabia. The visit of Prince Bandar bin Sultan to Beijing on July 10, 1990 marked the beginning of a

bright future in terms of the ties between the two countries. In this visit, Prince Bandar, a Saudi ambassador to the US, had meetings with Chinese Premier, Li Peng, and several other Chinese high ranking officials, including Chinese Foreign Minister, Qian Qichen, and his vice-minister. Their talks mostly centered on issues of common concern.

The visit of China's Foreign Minister, Qian Qichen, to Saudi Arabia from the 20th to the 22nd of July 1990 was a peak event in the development of diplomatic relations. On July 20, a closed-door meeting, which was considered the first in a round of meetings between Minister Qian Qichen and Saudi Arabia's Foreign Minister, Prince Sa'ud al-Faysal, was held in Saudi Arabia. The two ministers had identified that there was a solid ground for expanding a friendly and cooperative bilateral relationship. They also agreed on similar principles underlying the bilateral relations: peaceful coexistence, non-interference, mutual benefit and equality (*Xinhua General News Service* 20.07.90). On July 21, the two countries announced the establishment of the diplomatic relation at the ambassadorial level, and a joint communiqué was signed between the foreign ministers. Minister Qian also had a 90-minute meeting with King Fahd bin Abdul Aziz in Jeddah in which he delivered a congratulatory telegraph to the King from President Yang Shangkun and Premier Li Peng. The President and the Premier also received a congratulatory telegraph from the Saudi King.

The Saudi King and China's President placed emphasis on the principles that would shape Sino-Saudi diplomatic relations. These principles seemed to be identical. The two leaders also delivered their views on the significance of this relationship to China and Saudi Arabia as well as to other countries in the international system. In a meeting with Minister Qian, King Fahd expressed his hope that this relationship would rest on the principles of 'constructive mutual understanding and sound cooperation'. The King also believed that this friendship would bring sound implications to the 'security, peace and independence in Asia and the world' (*Xinhua General News Service* 23.07.90). The King went on to give his view on the possibility of the Sino-Saudi diplomatic link becoming 'a model of friendly cooperation' to the countries that embraced different 'social systems, beliefs and cultural traditions'. In the words of the King, these differences existed in all countries, and thus these countries 'should live with each other on good terms' and

implement the principles of mutual respect and non-interference. The Kingdom understood China's attitude of non-interference with other countries' domestic affairs. The Kingdom's foreign policy, as the King described, exhibited the 'policy of peace and neutrality' and aimed to preserve good relations with all countries (*Xinhua General News Service* 22.07.90).

President Yang Shangkun viewed the establishment of the Sino-Saudi diplomatic link as 'a new period in the two countries' relations.' With the implementation of the five principles of peaceful coexistence, the President said that China had begun to widen its relations with the Kingdom, the Gulf States, the Arab world, and all countries of the world (*Xinhua General News Service* 07.08.90). This statement indicated China's readiness to increase and strengthen its presence, particularly in the Middle East.

A month after the two countries had established diplomatic relations, Saudi Arabia took the initiative by sending its ambassador to Beijing. China also sent its ambassador to Riyadh the following month. The two ambassadors were directly involved in creating bilateral trade ties between their countries. At this point in time, they had more responsibility, namely the task of driving diplomatic relations in the new era. There was also an upgrading of the position and role of the institutions that supported the commercial link between the two countries. On August 22, 1990, the first Saudi ambassador to the PRC, Tawfiq Alamdar, met China's Premier Li Peng. Ambassador Alamdar was previously Saudi commercial representative to China since the Memorandum of Understanding on Mutual Establishment of Trade Representative's Office had been signed on November 11, 1988 (Ministry of Foreign Affairs of the People's Republic of China 2010). In this meeting, Premier Li Peng delivered a symbolic message in describing the dynamic of the Sino-Saudi relations. Premier Li Peng said to Ambassador Alamdar, 'the change of your post shows the development of the Sino-Saudi relationship'. The ambassador replied to this message by stating that his new post aimed to develop this relationship: 'My government has instructed me to make efforts to strengthen the existing friendly relations between Saudi Arabia and China. I am convinced that our relations will surely grow in accordance with the wishes and determination of the leaders of our two countries'. The Premier ensured that the Chinese

government would accommodate every effort made by the Saudi ambassador to develop the bilateral relationship (*Xinhua General News Service* 23.08.90).

China's Trade Representative Office in Riyadh was also upgraded to the ambassadorial level (*Xinhua General News Service* 28.07.90). Sun Bigan, China's trade representative in Saudi Arabia, became charge d'affaires of China's embassy in Saudi Arabia. In September 1990, he was appointed as China's ambassador to the Kingdom.

4.4.2 The PRC, the KSA and the ROC

The major decision of Saudi Arabia to shift its diplomatic relations from the ROC to the PRC provoked an immediate and perhaps predictable response from Taiwan. The Taipei authority adopted a number of possible approaches to protect its long-standing diplomatic link with Saudi Arabia. In the aftermath of the diplomatic severance, Saudi Arabia appropriately followed the 'One China' policy that had been widely introduced by the PRC. The Taipei-Riyadh economic relations in this period, however, remained unaltered and intact.

4.4.2.1 'One China' Policy

This section will briefly assess the 'One China' policy that persistently prompted a major debate between the PRC's government and the ROC's authority. The Beijing government introduced 'one country, two systems' in its peaceful reconciliation of Taiwan issue. Yet, it was inconsistent with the Taipei authority's proposal of having 'one country, two governments'. Both sides continued to criticize each other's actions in reuniting China. Saudi Arabia's response to the Taiwan issue is an interesting case to examine. Since the Kingdom had formed relations with both the PRC and the ROC, it would be uncomfortable for the Saudi government to determine its posture and policy behaviour concerning the Taiwan issue.

In the aftermath of the establishment of Beijing-Riyadh diplomatic relations, Taiwan's leader confirmed that Taipei policy towards mainland China was similar to the one that

had been practiced earlier. Taipei's leader seemed to have suggested that the Beijing government be realistic in dealing with the 'One China' policy. Taiwan's Vice Premier, Shih Chi-Yang, stressed that the ROC's policy towards mainland China would not change despite the change of diplomatic relations with Saudi Arabia, stating, 'mainland policy and diplomatic policy are two different things' (*Central News Agency-Taiwan* 21.07.90). Concerning the policy towards Beijing, Taiwan would continue assisting the Chinese people in mainland China. The Chairman of the Mainland Affairs Council also stressed that the Beijing government should accept the fact that mainland China and Taiwan were 'two separate political entities under separate rules' (*BBC Summary of World Broadcasts* 25.01.96).

Taiwan totally disagreed with the ways in which the Beijing government tried to reunite the country. Threatening Taiwan with the use of force and suppressing Taipei independent behaviour at an international level were uncooperative approaches. Taiwan's Premier, Lee Huan, denounced the use of force as it was not a tool by which to reunify China (*Central News Agency-Taiwan* 27.02.90). However, he believed that seeking the consensus of all the Chinese people and promoting the concept majority participation would prompt and accelerate the reunification process.

The Ministry of Foreign Affairs of Taiwan also totally condemned Beijing's political response of precluding Taipei from joining the international community. Based on a report released by the Ministry, there were 72 instances in which Beijing attempted to isolate Taipei from international activities. The Ministry also lamented the authority of mainland China, stating, 'the Chinese Communists have not eased their attempts to suppress us in spite of the growing exchanges between the two sides of the Taiwan Strait.' One example was the proposal of Taiwan entry to the UN to which Beijing was seen to circulate a public statement opposing this proposal. This message was circulated throughout Beijing embassies in Saudi Arabia, Fiji and other states (*Central News Agency-Taiwan* 28.02.90).

The Beijing government repeatedly called for the reunification of China and criticized Taipei authorities for repudiating the 'One China' policy. It clarified its approach in

adopting this policy, which mostly depended on Taiwan's political behaviour. More specifically, the element of 'force' contained in the strategy of reuniting China was significantly clarified by the Beijing government, which was determined to resist any efforts that bred the development of 'two Chinas' or 'one China and one Taiwan'. Premier Li Peng indicated that the ROC government had adopted 'flexible diplomacy', and an approach towards an independence of Taiwan. He explained further by saying, 'that is a trend which deserves attention...we will not sit idly by and will not keep silent if Taiwan works for independence' (*Xinhua General News Service* 27.01.90).

The PRC further denounced the 'two states' theory proposed by Taiwan President, Lee Teng-hui, who made every effort to split China. Through the Ministry of Foreign Affairs of the PRC, Taiwan's authority was criticized for not recognizing the 'One China' principle and the lack of sincerity in the efforts to improve cross-Taiwan Straits relations. Thus, this created a problem in regards to the reunification of China.

The possibility of the PRC using force against Taiwan, however, was contingent upon specific development such as a foreign invasion of Taiwan or a refusal on the part of Taiwan to partake in negotiations as a mechanism for China's reunification. The use of force, as the PRC stated, would mainly be for the purpose of defending the sovereignty and territorial integrity of China (*Emerging Market Datafile XINHUA* 19.10.00).

At the international level, the 'One China' principle, to some extent, shaped and influenced the political behaviour of other countries towards the PRC and Taiwan issue. Saudi Arabia was not excluded in this context. The Saudi government hoped that the issue would be resolved through a non-violent approach. Vice Premier Qian Qichen stressed that the 'One China' principle was respected by the majority of foreign governments, and they also referred to this principle in maintaining relations with Taiwan (*Xinhua General News Service* 24.03.00). Crown Prince Abdullah, who visited mainland China in 1998, urged the use of peaceful resolution of this issue, stating, 'Saudi Arabia hopes the Taiwan issue can be resolved peacefully. A peaceful resolution is in the interests of people on both sides of the Strait and enhances the region's security and stability' (*BBC Monitoring Asia Pacific* 11.09.99).

There are two different sources that revealed the stance of Saudi Arabia on Taiwan issues. However, these sources seemed to have created a lack of understanding regarding the stance. The *BBC Monitoring Asia Pacific*, which referred to the *Xinhua News Agency*, emphasized the Kingdom's support of the 'One China' policy, whereas a report from the *BBC Monitoring Middle East*, based on information from the *Saudi Press Agency*, failed to precisely disclose the nature of the Kingdom's support towards the 'One China' policy. In a visit to Beijing, the position of Saudi Arabia regarding Taiwan issue was indicated by Prince Salman bin Abdul Aziz. The source said, 'He (Prince Salman) emphasized that Saudi Arabia would stick to the "One China" policy and firmly support the Chinese people in their reunification cause' (*BBC Monitoring Asia Pacific* 21.04.99). In a joint statement released during Prince Sultan's visit to Beijing in 2000, the posture of the Kingdom towards Taiwan issue was reiterated. Saudi Arabia considered Taiwan as 'an indivisible part of the Chinese territories' and the PRC was the only legitimate government that represented the Chinese people. This position was said to be found in the communiqué issued at the time when the Riyadh-Beijing diplomatic relation was established (*BBC Monitoring Middle East* 17.10.00).

4.4.2.2 Taiwan's Dilemma with Riyadh-Beijing Diplomatic Relations

The Taipei government demonstrated its dissatisfaction with the Kingdom's establishment of Riyadh-Beijing diplomatic relations in four main ways. This section will examine these ways as well as a number of the necessary measures adopted by the ROC in its relations with Saudi Arabia following the severance of their diplomatic link.

The first measure involved the acquisition of further information on the Saudi delegation to China at the end of the 1980s. During a meeting between the ROC ambassador to Saudi Arabia Edward Kuan and the Saudi government officials, the ambassador sought to express Taiwan's grave concern regarding Prince Bandar's visit to mainland China, which could presumably bring about the establishment of the diplomatic relations between Riyadh and Beijing. The ROC seemed suspicious of the visit that had taken place in the late 1980s.

Ambassador Edward Kuan also planned to have a talk with Saudi top-level officials with the intention of gaining a better understanding of, and perhaps to scrutinize, the issues that were discussed between Prince Bandar and the PRC's officials (*Central News Agency – Taiwan* 13.07.90). Moreover, the Minister assumed that the meeting between Prince Bandar, Prime Minister Li Peng and Foreign Minister Chi Chen in Beijing had elicited the possibility of the formation of diplomatic relations between the Kingdom and the mainland China (*Central News Agency – Taiwan* 14.07.90). Prince Bandar's visit to Beijing had been his fourth visit to the communist regime since 1985. He was the one who signed an agreement with the mainland in 1988, which brought about the establishment of the PRC trade office in Riyadh in 1989 (*Central News Agency – Taiwan* 11.07.90).

The second way was by insisting on the preservation of Saudi-ROC diplomatic relations. This was expressed in the reaction of Taiwan's Premier, Hau Pei-Tsun, who urged the Ministry of Foreign Affairs to use any possible means of maintaining the recognition of ROC-Saudi diplomatic relations. The Premier was very concerned about the Taipei-Riyadh relationship when he was briefed by the ROC Foreign Minister, Frederick Chien, regarding the possibility of Riyadh switching its diplomatic recognition to Beijing (*Central News Agency – Taiwan* 12.07.90). The Ministry of Foreign Affairs of the ROC also observed that the PRC had been using any and all means to sabotage the ROC-Saudi diplomatic link.

However, the Kingdom did not respond instantly to Taiwan's critical concern over Riyadh-Beijing diplomatic relations. The only thing that Minister Frederick Chien knew of was the future visit of a ministerial official of the Kingdom to Taiwan.

Minister Frederick Chien made an assumption regarding the factors that brought about the diplomatic link between mainland China and the Kingdom. He stated that pressure from the communist regime of China was the reason behind the initiative of the Kingdom towards the establishment of the diplomatic link. He assumed that this initiative had been 'a painful choice for Saudi Arabia.' With this conjecture, the Minister urged the people of

Taiwan to have a clear understanding on the factor that altered the Kingdom's policy towards mainland China. Moreover, he implored that no anti-Saudi sentiments be provoked. The Minister, however, anticipated that the likelihood of rescuing Taipei-Riyadh diplomatic ties was low. Taiwan's government also pledged to work effectively in maintaining its posts in Saudi Arabia and pursuing bilateral contact (*Central News Agency – Taiwan* 14.07.90). The second set of contributing factors that the Taiwan government had postulated regarding the Kingdom's diplomatic link with mainland China was the missile deals of 1987 and the sale of a communication satellite to Saudi Arabia in 1990. These two events were believed to have driven Riyadh and Beijing to the establishment of an official relationship (*Central News Agency – Taiwan* 12.07.90).

The third way in which the Taipei government demonstrated its dissatisfaction concerning Riyadh-Beijing diplomatic relations was through its expression of 'deep regrets' concerning the Saudi decision to shift its diplomatic recognition from the ROC to the PRC. This was voiced by the Ministry of Foreign Affairs of Taiwan to the Saudi envoy that arrived in Taipei in July 1990. The envoy was led by the Minister of Industry and Electricity, Abdul Aziz al-Zamil. They intended to deliver King Fahd's message to President Lee Teng Hui. The message elucidated the Saudi decision to have diplomatic relations with the PRC and the transformation of ROC and Saudi embassies into 'offices' (*Central News Agency – Taiwan* 19.07.90) (note: the visit of the Saudi Minister to Taiwan was made just a few days before Saudi Arabia and the PRC formed a diplomatic link).

As mentioned in a talk between Minister Frederick and Minister Abdul Aziz al-Zamil, both nations required the preservation of the Taipei-Riyadh link, yet there was still ambiguity as to how this link would be adjusted in the future. In retrospect, ROC-Saudi diplomatic relations had been established in 1946, and their close link was apparent along various 'political, military, medical, agricultural, technological and cultural' realms (*Central News Agency – Taiwan* 19.07.90).

The ROC struggled to defend its status and sovereignty. This could be seen in the decision of the high-ranking officials of Taiwan, who had determined the way in which

the ROC-Saudi link should be shaped in the future and determined to maintain the ROC cooperative programs with Saudi Arabia. This decision was concluded at the Supra-Ministry Conference in July 1990, which convened all leading officials of Taiwan's Defence, Economics, and Finance Ministries and the National Science Council. The decision was said to be put forward in a meeting in Riyadh (*Central News Agency – Taiwan* 20.07.90). The decision was also conveyed in the message that the Ministry of Foreign Affairs sent to the Saudi government after the diplomatic relation had been switched to the PRC.

As it is known that the government of the Kingdom of Saudi Arabia sent H. E. Abdul Aziz al-Zamil, Minister of Industry and Electricity as its special envoy to visit the Republic of China on July 17, 1990 and expressed the Kingdom's desire to continue all mutually beneficial cooperation with the Republic of China after the establishment of diplomatic relations between the Kingdom and the Chinese communist regime, the government of the Republic of China will continue to consult with the kingdom about the adjustment of future ROC-Saudi relations for the sake of its national interests (*Central News Agency – Taiwan* 22.07.90).

The fourth way in which Taiwan revealed its frustration regarding the establishment of Sino-Saudi diplomatic relations was through the strong objection conveyed by the Ministry of Foreign Affairs of Taiwan. In a message to the Saudi government, the ROC government accepted the fate of its diplomatic link with Saudi Arabia. It highlighted the authority of mainland China as a troublemaker to ROC-Saudi relations and expressed disappointment in the Saudi government's policy regarding this issue. The statement of protest was:

The government of the Kingdom of Saudi Arabia announced on July 22, 1990 that it has established diplomatic relations with the Chinese communist regime starting from the same day. In view of the Kingdom's disregard of the traditional friendship between our two peoples and its yielding to the Chinese communists' disruption of the long-standing close ties between our two countries, the government of the Republic of China has instructed its embassy in Riyadh to

lodge the strongest protest against the Kingdom for the decision and has also decided to suspend its diplomatic relations with the Kingdom on July 22, 1990 (*Central News Agency – Taiwan* 22.07.90).

On the same day, the former Saudi Ambassador to Taiwan, Assad Abdul Aziz al-Zuhair, responded to this protest. His response was fairly considerate and courteous. He tried to convince Taiwan's authority that the future relation between Taipei and Riyadh was positive. He also seemed to calm the situation by saying that the switch of diplomatic relations simply involved a technical issue. He notified Taiwan's Foreign Minister that the Taipei-Riyadh cooperation would continue and even become more prosperous. The switch of diplomatic relations, as he emphasised, was a matter of changing the name, and not the relations between the nations (*Central News Agency – Taiwan* 23.07.90). Before leaving for Saudi Arabia, Ambassador Al-Zuhair contended that the PRC-Saudi diplomatic relations would not affect a 'close and long- time friendship' between Taipei and Riyadh (*Central News Agency – Taiwan* 23.07.90).

Taiwan had to accept the fact that the Kingdom had recognized mainland China as the sole representative of the whole people of China. During the period in which the diplomatic link between Taipei and Riyadh was suspended, the Taiwan government took several significant and purposeful measures to resume the 44-year-old Taipei-Riyadh relationship and to stress that the ROC was still a reliable and important friend to Saudi Arabia. One of these measures also involved an attempt to consolidate the ROC's relations with other countries.

The first measure was the institutionalization of the relationship that was proposed by Minister Frederick. According to the Minister, institutionalization meant the formation of an office that could sustain ROC-Saudi Arabia cooperation and preserve the ROC's sovereignty. The Minister also saw this office as a means of supporting King Fahd's perception regarding the importance of the ROC's friendship. As the Minister stated, 'we should establish a body that meets that spirit' (*Central News Agency – Taiwan* 23.07.90).

Minister Frederick decided to resign despite his efforts to maintain and adjust the relations between his government and the Saudi authority. The Minister submitted his resignation as a way of admitting full responsibility for the failure to prevent Saudi Arabia from recognizing the PRC as the only country that represented China. He also felt responsible of not being able to secure Taipei-Riyadh diplomatic relations. The resignation, however, was not accepted by Premier Hau Pei-Tsun on the grounds that all possible means had been already carried out by Minister Frederick in protecting the Taiwan-Saudi diplomatic link and the national interests of Taiwan (*Central News Agency – Taiwan* 24.07.90).

Two former ROC's ambassadors to Saudi Arabia, Yeh Chia-Wu and Edward Kuan, played a critical role in the negotiation in Saudi Arabia in July 1990. They sought to know whether the cooperation that the Riyadh-Taipei governments had previously developed was going to change. They discussed future ROC-Saudi relations and brought up several other issues of concern. Among them were 'the title and status' of the ROC's representative office in the Kingdom and the agreements that had been reached in the past (*Central News Agency – Taiwan* 24.07.90). In this meeting, Edward Kuan clearly stated Taiwan's interest in sustaining substantive relations with the Saudi government. The content of the negotiation, however, was not publicly made (*Central News Agency – Taiwan* 30.07.90) and produced no agreements. The next round of talks had been arranged, but was postponed due to the invasion of Kuwait in 1990 (*Central News Agency – Taiwan* 06.08.90).

In January 1991, a memorandum between Taipei and Riyadh was signed whereby the nations agreed to establish specific institutions that served their common interests. The ROC would develop Taipei Economic and Cultural Office in Riyadh, while the Kingdom would establish Saudi Arabian Trade Office in Taipei. After a few months, a new Saudi representative, Mohammed Y. Talabulsi, arrived in the ROC and served in the Saudi trade office. Staff in both offices enjoyed the 'diplomatic immunity and preferential treatment under the principle of reciprocity' (*Central News Agency – Taiwan* 14.10.91).

The second measure was the unchanging cooperation with and technical assistance for Saudi Arabia. In the new era of Taipei-Riyadh relations, Taiwan was immensely and continuously involved in various sectors of the Kingdom. The multi-faceted collaborations and mutual support implied that Taiwan and Saudi Arabia benefited from a long-established and deep relationship. As a result, the mutual interests of the two nations were consistently advanced. The Council's International Cooperation Department maintained its cooperation that had begun in July 1978 through the signing of a Memorandum on Scientific and Technological Cooperation. Since then, discussions on this cooperation were being conducted annually. Some agreements appeared in this cooperation, for instance, 'researches on Arabic-language computers, fish farming, astronomy, solar energy, snake poison, Hepatitis and Biological technology' (*Central News Agency – Taiwan* 10.09.90).

Taiwan continued offering a great deal of assistance to the Kingdom, which came the form of 'technical counselling and advice,...the construction of roads, airports, harbours and military bases,...and the development of the Kingdom's industrial sector.' Taiwan's technical teams had also offered services to the Kingdom's Ministries, including the Ministry of Communication, Ministry of Agriculture and Water, Ministry of Health, and Ministry of Finance and National Economy (*Central News Agency – Taiwan* 29.10.92).

The third measure was the consolidation of Taiwan's foreign relations with other countries. This measure could have resulted from the important lesson that Taiwan had learned from its diplomatic setback with Saudi Arabia. During a cabinet meeting, Premier Hau Pei-Tsun ensured that Taiwan would continue implementing 'pragmatic foreign policy' in its relations with foreign countries (*Central News Agency – Taiwan* 03.08.90). The pursuit of 'pragmatic foreign policy' was based on several objectives with an overall aim to prolong the survival of the nation of Taiwan at an international level. This policy was intended to foster the ROC's relations within the international system and effectively counter the PRC's actions of repressing and isolating Taipei from world politics. This policy, as the Ministry of Foreign Affairs of Taiwan contended, was the best approach to promoting and protecting its national interest. It could also encourage the formation of a

unified China that would be driven by ‘a free and democratic system’ (*Central News Agency – Taiwan* 17.08.90).

In brief, Saudi Arabia was relatively diligent and skilful in coping with this diplomatic issue. While maintaining a formal diplomatic relation with the PRC, the Kingdom had delivered a clear message to Taiwan’s leaders that the shift of the diplomatic recognition was inevitable. Although it was difficult for Taiwan to agree with this decision, a continuation of economic cooperation between Taipei and Riyadh could, at least, assuage its discontent and frustration with the new establishment of Peking-Riyadh diplomatic ties. The Taipei-Riyadh relationship existed for more than four decades (1946-1990), and it had been mutually important and beneficial to both sides.

4.4.2.3 Preserving Economic Links: The Taipei-Riyadh Relationship from 1990

Taiwan and Saudi Arabia effectively protected their economic ties though there was a fundamental shift in the diplomatic relations between them. This sub-section will assess the mechanism that Taiwan and Riyadh deployed in maintaining bilateral economic engagements and analyse the development of oil and non-oil trade between the two countries.

The bilateral relations between Riyadh and Taipei possessed the characteristics of complex interdependence. The business communities and the governments of the two countries had close political and economic relations which signified the use multiple channels. They actively involved in a wide-range of economic relations (from business activities to investments) and strengthened their cooperation in technological sector and technical aspect. These relations and cooperation implied the absence of a hierarchy of issues which meant military security did not dominate the agendas of the two countries.

Economic Activities and Cooperation Underpinning the Economic Link

In the absence of diplomatic relations, neither Saudi Arabia nor Taiwan ignored their interest in facilitating a sound and reliable cooperation in the different economic sectors. Riyadh and Taipei increased economic activities and enhanced cooperation, which

conferred an enormous advantage to the two economies. To promote these activities and initiatives, the two governments held regular meetings and trade fairs. Cooperation in the non-energy sectors, such as the petrochemical and aquaculture sectors, further expanded.

The top-level officials of the governments' institutions and business communities were the central figures in the regular meetings between the two countries. The following table shows some of the meetings that Saudi-ROC officials and business people attended between 1992 and 2000 (note: such meetings were suspended for nearly three years). In the meetings, the officials and business groups reaffirmed their commitment to build cooperation in specific areas. Some of the meetings indicated the great initiative on the part of the government officials in formulating agreements between the two countries.

Table 4.1: Meetings among Saudi and Taipei Government Officials and Business Groups

Meeting	Government officials and business groups	Conclusions and Expected outcomes of the meeting
The 12 th Sino-Saudi Joint Committee and Technical Cooperation Conference, in Riyadh, in December 1992.	Vice Economic Minister of Taiwan, Lee Shu-Chiu, and chaired by Ibrahim bin Salamah, Managing Director and Chief Executive Officer of SABIC.	The Saudi government would consider Taipei's proposal concerning an investment guarantee agreement.
The 13th Economic Session of the Sino-Saudi Arabian Permanent Joint Committee on Economic and Technical Cooperation, in Taiwan, from April 13	Vice Economic Affairs Minister, S.J. Lee, and a Deputy Minister and Vice Chairman of the Saudi Arabia Basic Industry Cooperation, Ibrahim Ibn Salamah. Government officials and business leaders of the two	The two countries agreed to improve cooperation in the fields of 'transportation, shipping, agricultural, power and telecommunication projects'; 'to sign an investment guarantee pact, and an agreement eliminating double taxation'; to minimize

to 14 1994. (The meeting was known as the first Vice Ministerial- level conference after the severance of diplomatic relations)	countries.	tariffs; to boost private exchange; and to strike against pirated computer software' (<i>Central News Agency – Taiwan</i> 13.04.94).
The 15th Economic Cooperation Conference, in Taipei, in April 1997	The ROC Vice Economic Minister, Yin Chii-ming, and Vice Chairman of the Saudi Basic Industries Corporation, Ibrahim Ibn Salamah	The signing of Investment Protection Accord which provided a protection of Taiwan's investment in the Kingdom, as well as the Kingdom's investment in Taiwan (<i>Central News Agency – Taiwan</i> 08.04.97).
The 16th Taipei-Riyadh Economic and Technologic Corporation Meeting, in Riyadh, in October 1998	The ROC's Vice Minister of Economic Affairs Lin Yi-Fu and Vice President of Saudi Arabia Basic Industrial Cooperation	Several agreements, such as a bilateral trade arbitration system, were reached. The Kingdom gained an approval of exporting its vegetables, ceramic and earthenware products to Taiwan's market. Taiwan agreed to offer the Kingdom 'aquaculture information and know-how, newly-developed rice and grain species' and 'personnel in water conservancy, veterinary medicine and environmental protection' (<i>Central News Agency –</i>

		<i>Taiwan</i> 12.10.90).
The 17th annual meeting, in Taipei, in October 2000	Saudi Vice Minister of Industry and Electricity, Mohamed H. al-Mady and Taiwan's Vice Minister of Economic Affairs, Chen Ruey-long.	Discussion would focus on the custom-clearance process, Saudi trade centre in Taipei, and an access to the bidding process of contracts offered by the Saudi government.

While working to retain strong economic ties, trade fairs served as the meeting points between business people from Riyadh and Taipei. They were also the places where members of various business circles promoted their commercial ties and business interests. Some examples of trade exhibitions were: the Third International Fair of Taipei, which organized from August 26 to 31, 1993 and welcomed the participation of Saudi manufacturers, including Saudi Basic Industries Corp. (SABIC) (*Central News Agency – Taiwan* 27.07.92); and the China External Trade Development Council (CETRA), which welcomed 17 Taiwan manufacturers whose aim was to explore business opportunities in Saudi Arabia by promoting their products, including ‘industrial products, stationary, giftware, and cosmetics’ (*Central News Agency – Taiwan* 30.06.90).

The Saudi government would help facilitate the distribution of the ROC's products in the Arab Gulf markets. Saudi Arabia appeared to encourage Taiwan to use its land as the first destination for these products before their re-exportation to other countries in the Gulf. This initiative signified a solid economic cooperation between the two states. The ROC and Saudi governments also planned to cooperate in the inspection of made-in-Taiwan goods. The Kingdom would inspect these products before they were re-exported to the Persian Gulf states (*Central News Agency – Taiwan* 01.11.90).

As economic cooperation underpinned the Taipei-Riyadh bilateral relations, investment in the petrochemical sector also dominated the agenda of the two governments. Through the state-owned firm, Saudi Arabia welcomed the ROC's state-owned company to invest in the Kingdom's petrochemical production. This acted as a tremendous opportunity for the ROC's firm to allocate its investment in a country that offered an abundance of

petrochemical raw material. In 1995, an expansion of the Jubail Fertilizer Plant in Saudi Arabia was a joint venture between SABIC and Taiwan Fertilizer. It was expected to produce 2-EH, a petrochemical substance (*Central News Agency – Taiwan* 29.05.95). At the same time, SABIC planned to open its representative Office in Taiwan, targeted at expanding bilateral exchange and cooperation. In June 1995, the ROC sent an inspection delegation to Saudi Arabia whose objective was to assess the prospect of building a naphtha cracker in the Kingdom. The delegation was led by the Vice President of the Grand Pacific Petrochemical, Lin Wen-tsan.

The Saudi government intended to acquire Taiwan's technology and expertise in the fisheries and aquaculture sector. It attempted to promote cooperation in this sector by sending its Minister to the ROC and invited Taiwan's experts into the country. Deputy Minister of Fishery Affairs of Saudi Arabia, Saab Fayadh, arrived in Taiwan for an official visit in November 1993. As the first visit of a high-ranking Saudi official since the severance of the diplomatic link, the Minister's visit was to seek cooperation in the aquaculture sector (*Central News Agency – Taiwan* 22.11.93). In August of the same year, the Kingdom invited two fishery experts from the ROC to assist the Saudi Agricultural Ministry in the cultivation project of fresh and sea water (*Central News Agency – Taiwan* 17.08.93).

The two countries also strengthened cooperation in the technical sector. The cooperation was solidified through the signing of a two-year contract between Taiwan Power Company and the Electricity Corporation of Saudi Arabia in February 1993. Through the implementation of various projects, Taipower apparently engaged in the electricity industry of the Kingdom (*Central News Agency – Taiwan* 15.02.93).

The Taipei-Riyadh Energy and Non-energy Trade Relations

This section will examine whether the energy and non-energy trade transactions boosted the ROC-Saudi bilateral trade relations in the aftermath of the establishment of the PRC-Saudi diplomatic relations. In terms of energy trade dealings, Saudi Arabia and Taiwan heavily engaged in oil and gas transactions. Through non-energy trade ties, the two countries focused on the petrochemical and consumer products. The total trade volume between the two nations explains the direction of bilateral trade engagements and the ROC's growing trade deficit with Saudi Arabia.

A month after the suspension of Saudi-ROC diplomatic relations occurred, the Saudi government assured Taipei's national oil company that it would continue exporting oil to the ROC. Another assurance was also made whereby a shift in diplomatic relations would have no bearing on the Saudi-ROC oil trade business. According to the source of the Chinese Petroleum Corporation (CPC, a state-owned oil company of Taiwan), the Oil and Mineral Ministry of Saudi Arabia had assured the CPC Vice President, Chen En-li, that the Kingdom would not reduce its oil supply to Taiwan though the diplomatic relations had been suspended. Saudi Arabia continued to provide 145,000 bpd of oil to Taiwan (*Central News Agency – Taiwan* 18.08.90). In fact, the Kingdom had also agreed that should the production of oil increase, the oil export to the ROC would be doubled, from 10,000 bpd to 20,000bpd (*Central News Agency – Taiwan* 20.08.90). One factor that led to the continuation of oil export to the ROC was the 'excellent credit' that the Taipei government had built (*Central News Agency – Taiwan* 20.08.90).

Since Taiwan relied heavily on Saudi oil, there was a suggestion that the two sides should cooperate closely in an oil refining project. There is some statistical data to support this dependency and the position of Saudi Arabia as Taiwan's largest foreign energy supplier. In 1990, Saudi oil (145,000 bpd) was the largest importer of overseas oil in Taiwan's market (*Central News Agency – Taiwan* 03.08.90). In 1996, the Kingdom's oil made up 26.7 percent of Taipei's imported energy, followed by Kuwait and Iran, which accounted for 11.6 percent and 9.5 percent, respectively (*Central News Agency – Taiwan* 18.02.97). During the 12th Sino-Saudi Economic and Technical Cooperation Conference in

December 1992, the Saudi authority proposed that Taipei and Riyadh jointly build ‘oil refineries and produce catalysts for unleaded oil’. Taiwan’s Vice Economics Minister, Lee Shu-jeou, however, stated that this suggestion would be considered (*Central News Agency – Taiwan* 28.12.92).

Saudi Arabia was prepared and willing to re-supply liquefied petroleum gas (LNG) to its customer – the ROC. The latter, however, had to seek more suppliers, preparing for a possible gas supply shortage after 1994. The Kingdom continued to export this commodity after a contract involving energy export to the ROC ended in 1991(*Central News Agency – Taiwan* 20.10.92). In 1992, the President of Chinese Petroleum Corporation (CPC), Chen Kuo-yung, announced that Saudi Arabia would export approximately 150,000 metric tons of LNG to Taiwan. This volume was on a yearly basis and the export would begin in 1993. In 1994, the Kingdom decided to reduce the export of its LPG to Taiwan by 20 percent. The potential impact of this reduction led the CPC to diversify the suppliers of this commodity (*Central News Agency – Taiwan* 25.03.94).

Concerning non-energy trade dealings, the ROC imports from Saudi Arabia were dominated by the petrochemical products. Its exports to the Kingdom constituted electronic products and apparel (*Central News Agency – Taiwan* 24.10.92).

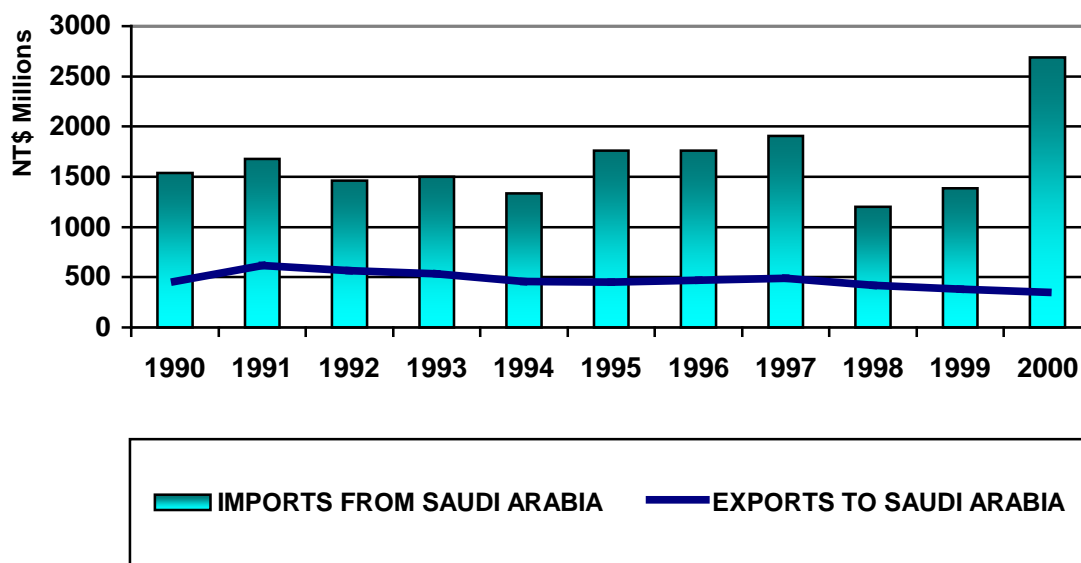
Table 4.2 and graph 4.2 show the total trade value between Taiwan and Saudi Arabia between 1990 and 2000. The ROC’s exports to Saudi Arabia were steady and smooth. There was not much acceleration in these exports: the rate of the exports was below NT\$ 1 billion, ranging from NT\$350 million (2000) to NT\$616 million (1991). The growth rate of the ROC’s imports from Saudi Arabia revealed a significant variation, with the highest increase recorded at NT\$ 2.6 billion (2000) and the lowest decrease reaching NT\$1.2 billion (1998). Throughout this period, Taiwan ran a trade deficit with Saudi Arabia. Taiwan’s imports from Saudi Arabia were above NT\$ 1 billion, while its exports remained below NT\$ 1 billion.

Table 4.2: Taiwan's Exports to and Imports from Saudi Arabia, 1990-2000 (New Taiwan Dollar: NT\$)

	EXPORTS	IMPORTS
1990	459,444,368	1,539,245,016
1991	615,694,802	1,679,265,987
1992	562,732,951	1,464,662,119
1993	533,300,415	1,501,958,435
1994	456,398,916	1,332,870,099
1995	449,845,519	1,763,393,499
1996	467,502,527	1,763,338,789
1997	490,948,343	1,904,439,274
1998	418,177,454	1,204,186,091
1999	382,172,175	1,383,567,180
2000	350,823,337	2,690,466,930

Source: Directorate General of Customs, Ministry of Finance Republic of China

Graph 4.2: Taiwan's Exports to and Imports from Saudi Arabia and the PRC, 1990-2000 (New Taiwan Dollar: NT\$)



Source: Directorate General of Customs, Ministry of Finance Republic of China

4.4.3 Sino-Saudi Political and Economic Relations

At the centre of formal diplomatic relations between China and Saudi Arabia in 1990 was economic motivation. This economic drive largely shaped the relations between the leaders, governmental officials and business communities of the two countries. This development prompts several questions as to how the governments and business enterprises built bilateral contacts. How did the competitive advantages of each of the two countries dominate their diplomatic agendas? Moreover, did these competitive advantages act as the fertile ground for bilateral trade and mutual investments?

A number of characteristics of complex interdependence were developing in the Sino-Saudi relations over this period. Multiple channels showed that the official visits of the leaders and high-level officials were increasingly frequent; the interstate and transgovernmental relations between the two countries were established; the collaborative efforts between the businessmen in China and Saudi Arabia were initiated and later consolidated; the visits of delegations of different provinces and municipalities in China were regular; and the connections between the authorities of two capitals (Riyadh and Beijing) were built.

There was an absence of hierarchy among issues when the military interest was ignored in the Sino-Saudi relations. The economic interests, nonetheless, were fully dominant and determined the states' goals. The high-ranking officials of the two countries designed specific measures, agreements and institutions, aiming to promote and strengthen economic cooperation between the two countries. They began to diversify the agendas of the bilateral relations through the signing of mutual accords in different aspects, including oil production, education, broadcasting and television.

4.4.3.1 Economic Interest as the Bedrock of Sino-Saudi Bilateral Relations

In the first decade of Sino-Saudi diplomatic relations, economic interest was a dominant and common agenda of the leaders of the two countries. Seen as the 'groundbreakers' of bilateral economic and political relations, the Chinese and Saudi leaders had been enthusiastically emphasizing the economic prospect of bilateral links. A year after

diplomatic relations were established, Premier Li Peng made a state visit to Saudi Arabia. Following this were the official visits of China's Vice Premier Li Lanqing in 1993 and the Secretary General of China's cabinet, Luo Gan, in 1995. Three years later (1998), Crown Prince Abdullah visited China, and President Jiang Zemin made a return visit the following year.

The pursuit of an economic agenda was also a major consideration of the top-level officials of the countries. Throughout the period of 1990-2000, the officials made valuable contributions to the continuance and strengthening of bilateral economic ties. They proposed and implemented appropriate measures to intensify economic cooperation, formed a number of important agreements in diversifying economic relations and established particular institutions and organizations to facilitate economic engagements. The focus of this sub-section significantly narrows in on the ways in which Sino-Saudi economic interests were promoted and pursued by the leaders, high-ranking officials and business circles of the two countries.

The exchange visits and communiqués shown in Tables 4.3 and 4.4 indicate the substantial progress that the leaders, governmental officials and business communities achieved in pursuing economic interests. However, only those achievements deemed significant to the development of bilateral economic links will be assessed in this chapter.

Table 4.3: Exchange Visits of China and Saudi Leaders and High-Ranking Officials, 1990 - 2000

Leaders and High-ranking Officials	Time of Visit	Place of Visit
State Councillor and Foreign Minister Qian Qichen	July 1990	Saudi Arabia
Foreign Minister Faisal (in the capacity of King Fahd bin Abdul Aziz's special envoy)	December 1990	China
State Councillor and Foreign Minister Qian	November 1990	Saudi Arabia

Qichen

Undersecretary of Foreign Ministry Thonayan (in the capacity of King Fahd's special envoy)	December 1990	China
Premier Li Peng	July 1991	Saudi Arabia
Minister of Finance and National Economy Aba al-Khail	November 1992	China
President of the Chinese People's Association for Friendship with Foreign Countries Han Xu	November 1992	Saudi Arabia
Vice Premier Li Lanqing	June 1993	Saudi Arabia
Minister of Commerce Sulaiman Salaim	March 1994	China
Minister of Oil Hisham Nazer	May 1994	China
Vice Foreign Minister Tian Zengpei	June 1994	Saudi Arabia
State Councillor and Secretary-General of the State Council Luo Gan	August 1995	Saudi Arabia
Chairman of Consultative Council Jubil	October 1995	China
Minister of Oil Naimi	December 1995	China
Minister of Finance and National Economy Assaf	February 1996	China
Vice Chairman of the Central Military Commission of the CPC Central Committee, State Councillor and Defence Minister Chi Haotian	June 1996	Saudi Arabia
Deputy Foreign Minister Mansori	October 1996	China
Vice Chairman of the Chinese People's Political Consultative Conference (CPPCC) Ye Xuanping	November 1996	Saudi Arabia
Vice Foreign Minister Tian Zengpei	January 1997	Saudi Arabia

Minister of Higher Education Anqari	October 1997	China
Minister of Oil Naimi	October 1997	China
Minister of Commerce Faqih	January 1998	China
Crown Prince and Deputy Prime Minister, Commander of the National Guards Abdullah	October 1998	China
Emir of Riyadh District Salman	April 1999	China
Vice Foreign Minister Ji Peiding	May 1999	Saudi Arabia
Minister of Commerce Faqih	September 1999	China
President Jiang Zemin	October 1999	Saudi Arabia
Minister of Information	February 2000	China
Minister of Agriculture and Water Conservancy	April 2000	China
Second Vice Prime Minister of National Defense, Aviation Sultan bin Abdul Aziz	October 2000	China

Source: Ministry of Foreign Affairs of the People's Republic of China

Table 4.4: The Sino-Saudi Communiqué and Bilateral Agreements, 1990 - 2000

Communiqué and Bilateral Agreements
The Communiqué on the Establishment of Diplomatic Relations between China and Saudi Arabia (July 21, 1990)
The Agreement on Economic, Trade, Investment and Technological Cooperation between China and Saudi Arabia (November 1992)
The Exchange of Notes on Mutual Rendering of the Most Favoured Nation Treatment between China and Saudi Arabia (December 1993)
The Agreement on Mutual Promotion and Protection of Investment between China and Saudi Arabia (February 1996)

The Memorandum of Economic and Trade Cooperation between China and Saudi Arabia (October 1998)

The Agreement on Educational Cooperation; The Agreement on Radio and Television Cooperation between China's Radio and Television Bureau and Saudi Arabia's Ministry of Information; The Agreement on Information Exchange and Cooperation between China's Xinhua News Agency and Saudi Arabia News Agency; The Memorandum of Understanding on Petroleum Cooperation between China and Saudi Arabia (October 1999).

Source: Ministry of Foreign Affairs of the People's Republic of China

As earlier stated, the economic agenda was crucial to the development of the Sino-Saudi relationship. Five months after diplomatic relations between the two countries were established, top-level officials of the two countries and Saudi businessman initiated bilateral economic ties. Prince Faysal Ibn Saud visited China at the invitation of the China Council for the Promotion of International Trade in December 1990. He discussed the issue of bilateral and economic links with Chinese Vice-Premier Tian Jiyun (*Xinhua General News Service* 08.12.90). Aiming at expanding economic cooperation between the countries, a Saudi delegation arrived in Beijing on July 2, 1991. A meeting was held between the Chairman and President of Saudi Arabian Altawi Group, Yusuf M. Altawi, and Vice Chairman on the standing Committee of China's National People's Congress (NPC), Seipidin Aze (*Xinhua General News Service* 04.07.91).

The leaders deemed it necessary to nurture and fortify the diplomatic link. As the 'groundbreakers' of economic ties, the leaders had to enrich the political links as well as further develop a sense of mutual understanding between their countries. A year after the establishment of diplomatic relations, Premier Li Peng visited the Kingdom. As the first visit of China's top leader to the Kingdom, Premier Li accentuated the main reason for his visit: 'I came on the visit for the purpose of furthering the relations between our two countries,' (*BBC Summary of World Broadcast* 12.07.91). The Premier had personal

views on the Saudi leaders and people, as well as on the Sino-Saudi friendship. Upon his arrival, Premier Li Peng expressed his positive feeling towards the Saudi leaders and people, stating, 'As soon as we stepped on this territory of Saudi Arabia yesterday, we felt the friendly feelings of the Saudi leaders and people towards us' (*Xinhua General News Service* 10.07.91).

The Premier extolled the one-year old Sino-Saudi diplomatic relations, and expressed his belief that the joint effort between China and Saudi Arabia would bear fruit. He appreciated the way the two countries conducted the relationship and admitted that bilateral relations were well developed and getting stronger. In describing Sino-Saudi relations since the formation of diplomatic relations, Premier Li Peng stated that there were 'friendly relations and cooperation' and that 'satisfactory progress' had been made. The Premier also said: 'I am convinced that our concerted efforts will result in the constant strengthening and expansion of Sino-Saudi friendly cooperation based on the five principles of peaceful coexistence' (*Xinhua General News Service* 09.07.91). A joint communiqué was released after the Premier's visit to Saudi Arabia wherein the two countries agreed '...to promote mutual understanding and enhance relations' (*Xinhua General News Service* 12.07.91).

The Saudi leader and high-levels official had their own observations regarding the success of Premier Li Peng's visit to Saudi Arabia. The visit was seen to have laid new ground upon which a close and advanced relationship could be built. The visit also reflected the nature of the existing Sino-Saudi relationship. King Fahd viewed Premier Li Peng's visit as 'a new starting point' in the advancement of the Sino-Saudi relationship. This development also sprang from the good relation the two governments had with business groups within their nations (*BBC Summary of World Broadcasts* 12.07.91). Commenting on the Premier's visit, Saudi Ambassador to China, Tawfiq K. Alamdar, also noted that this visit was a sign of a firm relationship between the two countries. The ambassador also said that Chinese and Saudi leaders were keen to see the expansion of their bilateral friendly relations, particularly in the petroleum industry (*Xinhua General News Service* 29.06.91).

Given the above-mentioned perspectives, the two governments had been seriously considering the economic aspect of the bilateral links. The Saudi and Chinese ministers proposed techniques of strengthening economic engagements and pledged to jointly work in promoting the products of the local industries. The meeting of the ministers reflected their role in providing a wide open arena for the growth of the bilateral economic link. In a meeting between China's Minister of Foreign Economic Relations and Trade, Li Lanqing, with Saudi Minister of Finance and National Economy, Muhammad Aba al-Khail, the two countries agreed to work together and increase the number of exhibitions in order to introduce and promote their national products. They also agreed to have a large number of personal exchanges. These efforts also aimed at intensifying bilateral trade, technology and labour cooperation (*Xinhua General News Service* 10.07.91).

The economic and political links between the governments continued to strengthen. In 1992, Chinese and Saudi high-ranking officials laid the foundation for more extensive agreements in the future and intensified their efforts towards a dynamic economic link. The diversification of cooperation was also a serious agenda for the two countries. The two governments reached agreements related to economy, trade, investment and technology. These agreements were signed between Premier Li Peng and Muhammad Aba al-Khail, Minister of Finance and the National Economy of Saudi Arabia, during the visit of a Saudi trade delegation to China in November 1992. In commenting on the agreement, the Premier stated: 'This is an important event, indicating the bilateral economic and trade relationship is entering a new phase'. The Premier also described the development of the Sino-Saudi relations, stating, 'bilateral relations have developed apace, mutual understanding has deepened continuously and the common interest has been on the rise' (*BBC Summary of World Broadcasts* 10.11.92). A talk on the issues of bilateral trade and economic and financial cooperation was held between China's Minister of Foreign Economic Relations and Trade, Li Lanqing, and Muhammad Aba al-Khail.

At the three-year mark of the diplomatic link, the Chinese government set up an institution in Jeddah, one of the main trading entrances to the Kingdom. This effort could be considered as a means of facilitating exports and imports between the two countries.

In April 1993, China's Ambassador to Saudi Arabia, Sun Bigan, inaugurated the opening of China's Consulate General in Jeddah. The first Consul General was Gao Shi Tong, who had previously served as Counsellor and the Head of Chancery in China's embassy in Riyadh. A few months later, Jiang Qinghua was appointed as China's Economic and Commercial Consul. Jiang Qinghua said, 'my foremost task in the Kingdom is to make efforts to promote bilateral relations between China and the Kingdom' (*Moneyclips* 27.04.93). The Consulate General would also arrange the visits of China's Muslims in performing *Hajj* and *Umrah* in the Kingdom (*Moneyclips* 27.04.93).

Saudi Arabia and China shared a deep interest in boosting and widening bilateral economic cooperation. The Saudi government invited China's Vice Premier, Li Lanqing, to visit the country. This high-level China trade delegation made a two-day trip from the 26th to 27th of June 1993. Vice Premier Li Lanqing was formerly China's Foreign Trade Minister and was later appointed as Vice Premier, whose main responsibility was foreign trade. The invitation showed that the Kingdom gave the highest priority to the economic agenda. The invitation also enabled another important Chinese leader with practical experience in trade relations to mould Sino-Saudi economic links.

However, no agreements were concluded during this visit, perhaps because the discussion between the leaders at that point in time had been geared toward providing an orientation and exchange of ideas regarding future economic relations. In a talk to *Riyadh Daily*, China's Ambassador to the Kingdom, Sun Bigan, reported, 'No agreements have been signed yet...more talks will be held at a later stage to achieve substantive results of cooperation.' Nevertheless, this visit had evidently shown China's fervour to expand its ties with the Kingdom and the GCC states (*Moneyclips* 30.06.93).

Each with different backgrounds of economic activities, at least three Chinese trade delegations arrived in Saudi Arabia in 1993, further emphasizing China's enthusiasm towards the formation of commercial links with the Kingdom. In April, China's Muslim trade delegation visited the Riyadh Chamber of Commerce and Industry. This delegation was headed by Haji Ibrahim Sha Zhiyuan. In August, the Kingdom received a trade delegation from the China Council of Promotion of International Trade (CCPIT). They

discussed business contracts, specifically in the engineering and construction sectors, with Saudi business groups. In November 1993, China's trade delegation, led by the Deputy Director of CCPIT, Li Xiumen, arrived in Jeddah.

In 1994, the high-ranking officials and businessmen from Saudi Arabia visited Beijing, showing their commitment to the advancement of economic ties. The cooperation between the governments and business people reflected in these visits fortified the economic interests of the two nations. In January 1994, five Saudi businessmen travelled to Beijing and held a meeting with Vice-Premier Li Lanqing (*Xinhua General News Service* 15.01.94). In March of the same year, Saudi Arabia also sent another trade delegation to China, searching for a means to boost commercial transactions and to balance the trade exchange between the countries. Among those who joined this delegation were Saudi Minister of Commerce (Sulaiman Abdel-Aziz al-Solaim), the senior officials of the ministry, the representatives of Petromin and Saudi ARAMCO, the President and members of Saudi Chambers of Commerce and Industry, and Saudi businessmen.

The top-level governmental officials continued to initiate further trade cooperation between the two countries. In a visit of a Saudi trade delegation to China in 1994, some agreements were concluded with the expectation of more to occur in the future. Emphasis was also given to building close cooperation between the governments and business communities. In a meeting with Saudi Arabia's Minister of Commerce, Vice Premier Li Lanqing expressed his hope that Sino-Saudi bilateral trade and economic relations could be furthered through the joint efforts between the governments and their businessmen. Saudi Minister of Commerce Sulaiman Abdel-Aziz al-Solaim stressed that his delegations had also signified the Kingdom's heightened interest in furthering such cooperation (*Xinhua General News Service* 21.03.94). This visit also witnessed the signing of a Letter of Intent (LOI) with China National Cereals, Foodstuffs, Oils Import and Export Corporation. The Kingdom planned to import 80,000 sheep from China. Abdullah Abbar & Ahmed Zainy, a Saudi company was also planning for an import of frozen chicken from some of China's companies (*Moneyclips* 24.07.94).

Every alternate year, China's government made an important visit to Saudi Arabia, which was led by the leaders of the country. In the visit of 1995, the role of the leaders that would accelerate a positive development of the Sino-Saudi bilateral relations was emphasized and various agreements were formed. The visit of the Secretary General of China's Cabinet, Luo Gan, from August 13 to 15 of 1995 was said to be the 'third most important delegation' after the visits of Premier Li Peng (1991) and Vice Premier Li Lanqing (1993). In this visit, the government officials called for a consolidation of bilateral links. Luo Gan anticipated the current development of bilateral relations would result a positive outcome, stating, 'We are sure that the friendly relations and the existing cooperation between the two countries will witness great development in the future through the efforts exerted by the officials in the two states' (*Moneyclips* 24.08.95). In his meeting with Crown Prince Abdullah, the issues related to political and economic relations of both countries were discussed. Agreements on 'economic, investment and trade cooperation' were also reached at the end of the visit.

The five-year diplomatic relationship was described as well-developed relationship. This was mainly due to the tremendous emphasis on economic and trade agendas. During an interview with *Al-Riyadh Arabic* newspaper, Luo Gan expressed his satisfaction with the growth of Sino-Saudi relations, emphasising the primary factor of economic interest within bilateral relations. He said, 'Despite the fact that only five years have passed since the establishment of diplomatic relations between the two countries, our bilateral ties have seen great development in the economic and trade areas,' (*Moneyclips* 24.08.95). The bilateral economic ties, as he further claimed, were based on 'the principle of reciprocal interest'.

To enhance the prospects of economic relations, the officials of the two governments organised the Sino-Saudi ties through a special 'committee'. In February 1996, the first meeting of the Sino-Saudi Arabian Mixed Trade and Economic Committee was held. Finance Minister of Saudi Arabia, Ibrahim al-Assaf, who had a one-week visit to China, chaired this meeting with Chinese Minister of Foreign Trade and Economic Co-operation, Wu Yi. They also exchanged views and ideas on how to expand bilateral links in the economic and trade areas.

The meeting of the leaders also concerned the agenda of improving economic relations. They called for a maximization of their competitive advantages, an increase of exports and imports, and discussed the role of private business groups in the relationship between China and Saudi Arabia. Wu Yi strongly encouraged the use of effective strategies and joint efforts since there had been a huge gap between the volume of bilateral trade and economic advantages of the two nations. Al-Assaf hoped that China would increase the purchasing of petrochemicals from the Kingdom. Likewise, the Kingdom would also boost the demand for made-in-China products. Al-Assaf also had a meeting with President Jiang Zemin, who hoped to see both governments continue their support of the exchanges and cooperation between Saudi Arabia and China's business groups.

In 1997, the two governments institutionalized bilateral economic relations in order to support the development of economic relations. Perhaps the governments understood that through association, more economic opportunities could be explored. In October of 1997, the Saudi Arabia-China Friendship Association and China-Saudi Arabia Friendship Association were established with Abdul Rahman al-Jeraisy and Qi Huaiyuan, becoming the respective presidents. These associations were expected to promote the development of bilateral relations (*Xinhua General News Service* 17.10.97).

Enjoying an economic bond, which mainly relied upon the initiative of their respective governments, the two countries held more than five important meetings (including visits) in 1998. Most of the meetings primarily dealt with economic agendas: a stressing of the economic opportunities that the countries should avail themselves of; increasing the volume of trade links; the issue of trade imbalances; the diversification of economic cooperation; the need to identify economic areas the countries should explore; and the role of business people in the bilateral economic ties. In January, the Vice Foreign Minister of China, Tian Zengpei, made a trip to Riyadh and stressed that there was huge potential in the Sino-Saudi economic and trade cooperation. In February, the two countries organized the first meeting of the Joint Economic Commission.

In June, the Commerce Minister of Saudi Arabia, Osama Faqih, was in Beijing and met with the Minister of Foreign Trade and Economic Cooperation, Shi Guangsheng. The two leaders pledged to improve the trade linkage and to diversify trade cooperation. Minister Shi revealed China's target of reaching five billion US dollars in its trade volume with the Kingdom within five years and announced that Saudi Arabia was China's largest trade partner in 1997. He also communicated that China attempted to reap the benefits of Saudi oil resources. Both ministers discussed the following ideas: that China and Saudi Arabia should begin their cooperation in the petrochemical industry and in technology exchanges; that China's companies should participate in Saudi mining projects and power grid construction; and China's existing projects, labour service and investment in the Kingdom. Both leaders also expressed mutual support to their admission as members of the World Trade Organization (*Xinhua News Agency* 02.06.98).

After taking a business trip to China, Minister Osama Faqih had a meeting with China's Ambassador to Saudi Arabia, Zheng Dayong, in the following month. Among the contents of the discussion were the reviewing of bilateral issues and the call for China's business communities to strengthen their business links with their counterparts in Saudi Arabia.

In September, the Kingdom welcomed China's trade delegation, which was headed by the Deputy Director General of the West Asia and Africa Department of Chinese Ministry Trade and Economic Cooperation, Li Ben. The imbalance of trade between China and Saudi Arabia was the main concern of Saudi businessmen, who expressed this issue during a visit of this trade delegation to the eastern province of the Kingdom. Khaled Hassan al-Qahtani, who was a member of the Eastern Province Chamber of Commerce and Industry Board of Directors, stressed that the Kingdom's exports to China were increasing, yet it was at a moderate growth level. He suggested an increasing of Saudi non-oil exports to China in order to minimize the Kingdom's trade deficit (*Middle East Newsfile* 15.11.98).

Eight years after the development of Sino-Saudi diplomatic relations, China was visited by the Saudi leader. With political and economic agendas, Crown Prince Abdullah bin

Abdul Aziz, Deputy Prime Minister and Head of the National Guard of Saudi Arabia, was a special guest of the Chinese government from October 14 to 21, 1998. The Crown Prince's state visit to Beijing was at the invitation of China's Premier, Zhu Rongji.

The Chinese and Saudi leaders delivered personal views on the development of the relationship between the two countries. Their views seemed to show that China and Saudi Arabia were currently enjoying a cordial and intimate friendship. In a meeting with Crown Prince Abdullah, President Jiang Zemin expressed his satisfaction with Sino-Saudi relations (*Xinhua News Agency* 15.10.98). China's Premier, Zhu Rongji, who had a meeting with Crown Prince Abdullah, also expressed his satisfaction with the Riyadh-Beijing relationship, particularly in the areas of politics, economic, and judicial culture. The Crown Prince said that the Kingdom considered China as its closest friend, and keenly observed China's efforts towards promoting world peace (*Xinhua News Agency* 14.10.98).

The officials of the two states worked closely and effectively for a betterment of the Sino-Saudi links. They coordinated the strategies of bilateral cooperation and devised a framework of how the economic cooperation should be fostered. A concerted effort to build a governing body was also underway. In Crown Prince Abdullah's visit to China, a number of important discussions were hosted between Saudi officials and Chinese Foreign Minister Tang Jiaxuan, Minister of the State Economic and Trade Commission Sheng Huaren, and Vice-Minister of Foreign Trade and Economic Cooperation Sun Guangxiang (*Xinhua News Agency* 17.10.98). An MoU related to economic cooperation was also signed between the two countries. This memorandum outlined some pragmatic approaches of improving economic cooperation between both nations, exclusively in the areas of trade, investment, mining and oil. The memorandum would also intensify the Sino-Saudi technical and technological cooperation. As stated in this memorandum, the appointed working committees were required to submit their recommendations to the head of the joint committee within six months. The signing of this memorandum, as one source claimed, was made after receiving an order from the Royal Highness (*BBC Summary of World Broadcasts* 27.10.98). This memorandum also led to the establishment of a joint business council.

There were a few differences that needed to be ironed between China and Saudi Arabia before a joint statement could be drafted during the visit of Crown Prince Abdullah to Beijing. The differences appeared in the issues of Jerusalem, Iraq and oil. In dealing with the Jerusalem issue, a negotiator for China's Foreign Ministry suggested that the issue be ignored. The Kingdom, however, rejected this idea and emphasized that the issue of Jerusalem was at the centre of the Arab-Israeli conflict. Ignoring this issue would be unusual since China had been supporting the just struggle of the Palestinians against Israeli assault. Eventually, China's negotiator agreed to include Jerusalem in the joint statement, which was: 'The two sides emphasized the importance of Jerusalem and the need from abstaining from adopting unilateral measures which would have an effect on the final status negotiations'.

Differences between the two countries on the Iraq issue also emerged. China was said to be suspicious of the Kingdom's call for the implementation of all UN Security Council resolutions regarding the inspection of Iraq's weapons. A Saudi negotiator said that China had already consented to all of these resolutions, and it was therefore too late to object to them. Ultimately, China supported the Saudi stance towards the Iraq issue.

With regard to the topic of Iraq, the two sides expressed their deep and serious concern over the stalemate of UNSCOM's activities, and called for cooperation between the UN commission and Iraqi authority on the basis of UN Resolution 1194. They also urged Iraq to fully implement all related Security Council resolutions emphasising the necessity to fulfil the humanitarian needs of the Iraqi people. They also stressed the importance of respecting the independence and sovereignty of Iraq as well as its territorial integrity (*Middle East Newsfile* 21.10.98).

The final point of contention was over the issue of oil. It had been stated that 'the Chinese seemed to be unclear on the topic' of oil (*Middle East Newsfile* 21.10.98). Thus, a new statement appeared:

The two sides emphasized the importance of oil market stability for the world economy, and the Chinese side appreciated the role being played by Saudi Arabia to ensure world oil market stability as the Kingdom is considered a secure and dependable source of oil for world markets. The two sides expressed their desire to strengthen their commercial and investment cooperation in the oil sector. (*Middle East Newsfile* 21.10.98)

The joint communiqué was finally issued when the Crown Prince left for Xian. However, it should be noted that the divergent opinion on the issues of Jerusalem, Iraq and oil just happened among those involved in the preparation of the final statement and not among the leaders. China's leaders publicly supported the Saudi proposals for this communiqué (*Middle East Newsfile* 21.10.98).

Crown Prince Abdullah made special visits to Muslim areas, which implied his constant attention to the Muslim communities in China. The Crown Prince visited the Islamic Association of China (IAC) and the Institute of Islamic Theology, and met with the Deputy President of IAC, Wan Yaobin. During this trip, the Crown Prince also visited Xian and Shanghai. In his visit to Xian on October 17, the Crown Prince met with the Governor of Shaanxi Province, Mr. Cheng Andong. A donation of USD 500,000 was given to the local mosque and would be used for renovation and Muslim education. The Crown Prince also performed the *Jumaat* prayer with other 600 Chinese Muslims in Niuqie Mosque, the largest mosque in Beijing, which was built in 996 A.D.

Another initiative for the betterment of the Sino-Saudi links was the strong connection forged between the authorities of the two capital cities, Riyadh Province and Beijing Municipality. The leaders of the two capitals exchanged their ideas related to the structural development of the cities. They seemed to suggest that each capital enjoyed significant economic development. In April, 1999 Prince Salman visited Beijing and met with Beijing Mayor Liu Qi. The Mayor stressed that 'friendly ties' had already formed between Beijing Municipality and Riyadh Province. They had a discussion regarding 'urban infrastructure, real state, transportation and entertainment facilities' (*Xinhua News Agency* 19.04.99). A meeting was also held with Jia Qinglin, a secretary of the Beijing

Municipal Party Committee. Jia explained that these ‘friendly ties’ had been established from the time diplomatic relations had been formed. He also conveyed the readiness of Beijing to boost its cooperation and exchanges with Riyadh (*Xinhua News Agency* 20.04.90). To demonstrate this willingness, China invited a Saudi high-level official to the country in the next five months.

The invitation of Saudi Minister of Commerce Osama bin Jaafar Faqih to China in September 1999 presumably signified that Saudi Arabia was a new and prime location for Chinese businesses. The Minister was invited to the Third International Investment and Trade Exhibition in Jiamusi as a keynote speaker. This invitation, as he commented, unveiled several important meanings. Firstly, it was a sign of the growing importance of Sino-Saudi relations and the genuine willingness of both nations to embark on common interests. Secondly, the invitation would promote further cooperation between the two countries.

For the purpose of encouraging China’s traders and investors to operate and expand their economic activities in Saudi Arabia, it was crucial to provide the vital background of economic development in the Kingdom. Osama bin Jaafar Faqih addressed the audience with a discussion of the philosophy of Saudi economic development and the major components of the Kingdom’s five-year development plan. The first principle was based on opening the country up for ‘investment, technology transfer, use of foreign human expertise, and two-way trade.’ This move was motivated by the fact that the Kingdom was part of the world and interdependent with other nations. The second principle had to do with the critical role of the private sector, and of a free market system in developing the economy. In support of this, the government would measure and assess the progress of the economy. Government interference in the economy would only take place if the private sector were no longer capable of being involved in economic activities. The third principle concerned the importance of oil to the country. Although oil was considered as the basis for developing the Saudi economy, this commodity was not to be expected to play a role for the long term (*Middle East Newsfile* 10.09.99).

The Minister also highlighted the intensive efforts of the Saudi government in developing a national economy. These efforts consisted of the diversification of economic resources and the increasing participation of the private sector. The Kingdom also recognised the equal importance of political stability and relevant economic policies to economic development (*Middle East Newsfile* 09.09.99).

Minister Faqih expressed his particular concern over China's investment into the Kingdom and stressed that a specific framework regarding how mutual investment would be promoted and protected was concluded between the two countries. The investment climate in Saudi Arabia, as he further emphasized, was conducive to foreign investors. The Minister said that the Kingdom introduced 'generous incentives and facilities' in attracting foreign investors (*Middle East Newsfile* 09.09.99). He invited members of various business circles from China to benefit from and enjoy the Kingdom's competitive advantages and its market. The signing of 1997 Agreement on the Promotion and Protection of Investment between the two countries provided additional incentive to these business communities. This agreement, which stipulated a legal framework for the development of a joint venture, would continually promote long-term economic cooperation between them.

The visit of President Jiang Zemin to Saudi Arabia in the following month was also a strategic and traditional approach to increasing bilateral economic relations. This four-day state visit was regarded as the first visit by the China's leader. The President was accompanied by Vice Premier Qian Qichen, Foreign Minister Tang Jiaxuan and State Development Planning Commission Director Zeng Peiyan. President Jiang arrived in Saudi Arabia on October 18 after several official visits to Britain, France, Portugal, Morocco and Algeria.

In the visit, several high-level meetings were convened with the Saudi leaders King Fahd bin Abdul Aziz, Prince Salman (the Governor of Riyadh) and Jamil al-Hujailan (the Secretary General of the GCC). There was also an important meeting regarding investment opportunities held between members of Saudi business circles and those Chinese business delegations who accompanied the President on his visit.

President Jiang Zemin described the development of Sino-Saudi relations since the formation of diplomatic relations as being characterized by impressive growth that had been based on a number of factors. The President said, 'We are happy to see that the China and Saudi Arabia relationship has enjoyed a good momentum of development, with frequent visits of high-ranking officials and an expanded field of cooperation,'. He also revealed the key factors that sustained and deepened this relationship. China and Saudi Arabia were important countries to the East and West accordingly; they both practiced 'independent and peaceful foreign policy'; they shared similar perceptions on most of international issues; they had 'no conflicts of fundamental interests' or problems in the past though their social systems were different; and they conducted bilateral relations based on 'mutual respect, equality and mutual benefit, and non-interference in other's internal affairs.' He added that Chinese and Saudi governments constructively engaged in developing their economies and improving their people's lives (*Xinhua News Agency* 02.11.99).

The speech delivered by President Jiang during his visit to the Kingdom is quoted below. One of the core elements of the speech was the emphasis on the historical development of the relations between China and the Arab world, specifically Saudi Arabia:

For a long time, the Chinese and Arab people have learned from each other and their friendly relations can be traced back to ancient times. We have been linked up by the ancient "silk road", which serves as a bond of friendship. As early as over 1,000 years ago, Chinese commercial ships started to call at the port of Jidda. In the Ming dynasty, Zheng He, who led fleets to what was then called "West Sea", seven times visited the port of Jidda, and even arrived at Macca on his way there. As early as 651 AD, envoys and businessmen of the Arab empire started to visit and do business in China. Some of these people settled down in China and served as officials in the Chinese imperial court. (*Xinhua News Agency* 02.11.99)

He also pointed out the importance of learning about and tolerating the richness of the civilizations.

It is essential for different civilizations to conduct dialogue and exchanges on an equal basis, learn from each other, and draw on others' strength to make up for their own weaknesses. They will thus be able to bring new prosperity to human civilization while developing and enriching them. (*Xinhua News Agency* 02.11.99)

Finally, President Jiang stressed the importance of overcoming the differences among the nations and to avoid making the diversity of civilizations a source of conflict.

Conflicts and disagreements are unavoidable between various nations due to their differences in historical development, social background, cultural tradition and lifestyle. These conflicts and differences can be resolved through dialogue and exchanges on an equal footing and in the spirit of mutual respect. It is wrong to place the civilization of one's own nation before other civilizations and ignore or even despise other civilizations, make much ado about the differences between civilizations, or attempt to stir up conflicts between various civilizations, for they are detrimental to progress of world civilization and to the lofty cause of world peace and development (*Xinhua News Agency* 02.11.99).

The President's visit to the Kingdom brought about the ratification of mutual accords in the areas of 'broadcasting and television, news exchanges between the Chinese and Saudi news agencies, education and oil production' (*Xinhua News Agency* 03.11.99) (Table 4.5).

Table 4.5: Cooperation reached between the PRC and the KSA during President Jiang's visit to Saudi Arabia.

Cooperative agreements	High-ranking officials
A Memorandum of Understanding on Oil Cooperation	Saudi Minister of Oil and Mineral Resources, Ali bin Ibrahim al-Naimi and Minister of Foreign Trade and Economic Cooperation of the PRC, Guangsheng Shi
Radio and television agreement	Saudi Ministry of Information and the General Authority for Radio, Cinema and Television of the PRC Minister of

	Information HE Dr. Fu'ad al-Farisi and China's Foreign Minister HE Jiaxuan Tang
Agreement on Exchange of Information	Saudi News Agency and the Chinese News Agency Xinhua Minister of Information HE Dr. Fu'ad al-Farisi and China's Foreign Minister HE Jiaxuan Tang
Agreement on Education	The governments of the KSA and the PRC Saudi Minister of Higher Education HE Dr. Khalid al-Anqari and China's Foreign Minister HE Jiaxuan Tang
The report of the Saudi-Chinese working team	Saudi Minister of Finance and National Economy, Ibrahim bin Abd al-Aziz and Minister of Foreign Trade and Economic Cooperation of the PRC, Guangsheng Shi

Source: BBC Monitoring Middle East 11.01.99

The two states issued a joint communiqué that reaffirmed the strengthening of the bilateral political and economic relations to the stage of strategic cooperation (*Xinhua News Agency* 03.11.99). In the communiqué, the leaders of the two countries expressed their satisfaction with the further development of Sino-Saudi trade relations. The leaders agreed to increase bilateral exports since there was a considerable potential that each economy could benefit. It also claimed that Chinese and Saudi economies were 'highly complementary'. It was pointed out that China possessed valuable human resources, sufficient goods for consumption, and advanced technologies in specific areas, while Saudi Arabia had abundant energy resources, funds, and high consumption (*Xinhua News Agency* 02.11.99).

President Jiang further assured that Sino-Saudi relations were being consolidated by the collaborative efforts of the governments and their business people. Achieving a common ground between the government and the businessmen was the basis for their cooperation. President Jiang invited the Kingdom's business people to visit China, which would allow them to become familiar with China's business environment and investment climate (*Xinhua News Agency* 01.11.99).

4.4.3.2 Empowering Sino-Saudi Trade Links

In the aftermath of the establishment of diplomatic relations, the two countries enhanced energy trade cooperation in order to fulfil the rising demand of oil in the Chinese market and to minimise the Saudi trade deficit. In 1993, China increased its purchase of oil imports from Saudi Arabia. In 1994, the leaders of the two countries began to give greater priority to energy cooperation. Despite the infrastructure and technology constraints of the Chinese oil refining sector, the Chinese and Saudi government rapidly deepened their oil cooperation. The concerted efforts of securing oil cooperation paid off. In 1997, for example, even more agreements concerning oil trade dealings were concluded between the two countries.

In regard to non-energy trade cooperation, the Chinese and Saudi governments and the business entrepreneurs deployed trade exhibitions and trade delegations as the primary and effective means to developing and spurring the growth of non-energy trade dealings. The Chinese authorities and businessmen continued to vary their exports to the Kingdom. In terms of the trade balance between 1990 and 2000 (with the exception of 1996 and 2000), China frequently experienced trade surpluses with Saudi Arabia.

The primary concern for this section is the development of energy trade and non-energy trade cooperation between the two countries. An assessment of the worthwhile efforts that the Chinese and Saudi governments, national oil companies, and private firms directed towards a consolidation of such cooperation will now be assessed.

Energy Trade Links

Table 4.6 indicates the achievements of the two countries in terms of bilateral oil cooperation. These achievements came in the form of the signing of agreements, a Letter of Intent (LOI), various contracts and a Memorandum of Understanding.

Table 4.6: The Achievements of Sino-Saudi Bilateral Oil Cooperation, 1990 - 2000

Year	High-ranking officials/ Companies	Activities/Achievements
1993	Saudi ARAMCO China's National Oil Company	An oil related agreement was reached during a visit of China's Vice Premier Li Lanqing to Saudi Arabia
1997	PengJunDa Co. Saudi Arabian Ministry of Petroleum and Mineral Resources	Renewed the contracts on oil sales
1997	Petromin Lubricating Oil Company (Petrolube) Chinese company	Signed a five-year agreement on the sale of Saudi oil and lubricants in Chinese market
1997	Saudi ARAMCO Sinopec	Signed a Letter of Intent (LOI) of supplying Saudi oil to China
1997	Saudi ARAMCO Sinochem	Signed an agreement on the export of 60,000 bpd of Saudi oil to China
1999	Saudi Minister of Oil and Mineral Resources, Ali bin Ibrahim al-Naimi Minister of Foreign Trade and Economic Cooperation of the PRC, Guangsheng Shi	Signed a Memorandum of Understanding on Oil Cooperation
2000	UNIPEC (China's Oil company)	Signed a long-term agreement on the importation of 180,000 bpd of Saudi oil in 2001.
2000	Ambassador Wu Sike	Announced China's plan of increasing one million ton of Saudi oil

In 1991, the Chinese state's oil and petrochemical company had a clear intention to build a branch in Saudi Arabia. Eighteen months after diplomatic relations were formed, China's petroleum, fertilizer and chemical conglomerate, Sinochem, planned to develop

an offshoot in Saudi Arabia, which would steadily increase its oil trade dealings in the Middle East (*Xinhua General News Service* 01.12.91).

In the third year of the Sino-Saudi diplomatic link, China revised its oil policies with the Kingdom. It intended to be close to Arab Gulf oil producers when it identified the importance of these oil-rich economies to its economic growth. In 1993, China announced that it would increase the purchasing of Saudi crude oil and oil by-products (*Xinhua General News Service* 27.06.93). It also planned to import oil directly from the Gulf states instead of directly purchasing this commodity from international oil companies (*Xinhua General News Service* 03.07.93). A year later, the Executive Vice President of China Petrochemical Corporation (Sinopec), Li Yizhong, stated that his country had begun to consider the Arab Gulf states as its 'long-term and main oil supplier'. In the past, China had purchased most of its crude oil from Southeast Asian oil exporters (*Xinhua News Agency* 27.10.94); now it was considering shifting the location of its oil sources in other countries.

The establishment of energy cooperation promised mutual benefits to both countries. When the balance of trade became unfavourable to Saudi Arabia and the Chinese domestic oil demand was escalating, Riyadh and Beijing began to boost their energy cooperation. The visit of China's Vice Premier Li Lanqing to Saudi Arabia in June 1993 successfully concluded an agreement between Saudi ARAMCO and China's National Oil Company (CNOC). The agreement was intended to reduce a trade gap between the two countries. The gap that revealed a huge Saudi trade deficit with China had occurred in 1992: Chinese exports to Saudi Arabia accounted for USD 450 million, whereas the latter's exports to China reached USD 150 million. With this agreement, it was expected that three million tons of Saudi oil would be exported to China (*Xinhua News Agency* 21.08.93).

A massive domestic demand for oil was another factor that strongly motivated China's move towards an increase in oil trade with Saudi Arabia. China needed to import foreign crude oil though it was known as one of the major oil-producing countries in 1994. China had produced and exported its oil since 1961 with Daqing oilfield, which was the biggest

oil producing location. It pumped oil from 18 oil fields and was actively involved in off-shore oil exploration (*Xinhua News Agency* 03.09.94).

With a mutual, strategic interest in the oil commodity, the leaders of the two countries began to prioritise oil cooperation as the highest agenda of the bilateral link and began to moulding state-to-state relations on the basis of oil interest. In a meeting with Saudi Minister of Petroleum and Mineral Resources, Hisham Nazer, in May 1994, President Jiang Zemin accentuated that a close cooperation in the petroleum sector served as an obvious advantage to the two countries. King Fahd, who had delivered his intention in a letter that Minister Hisham Nazer handed to President Jiang Zemin, placed emphasis on the willingness of Saudi Arabia to boost bilateral economic links with China, with a particular stress on petroleum cooperation. The Minister also highlighted the readiness of the Saudi government to support the cooperation between the oil companies of the two countries (*Xinhua News Agency* 18.05.94). Based on these factors, more than merely a commodity to assist Chinese economic development, Saudi oil also served as a commodity for the evolution of the Sino-Saudi relationship.

China was ready to boost its oil cooperation with Saudi Arabia. While admitting the importance of Saudi oil to China, Chinese Ministers conveyed their expectations that Saudi oil supply to the country could be increased. Deputy Foreign Minister, Tian Zeng Pei, acknowledged that Saudi Arabia was an important oil exporter to China. The commodity was crucial for the expansion of industrial projects. In February 1996, Chinese Minister of Foreign Trade and Economic Cooperation, Wu Yi, delivered China's hope for increasing of Saudi crude oil, petrochemicals and fertilizers exports to the country. Chinese imports of Saudi crude totalled more than ten million tons in 1995 due to 'China's great need for petroleum products...' (*BBC Summary of World Broadcast* 29.02.96). The domestic demand for oil would lead to the penetration of Saudi oil into the Chinese market.

The efforts of the leaders and government officials to enhance oil cooperation had certain limitations. China was unable to refine heavy crude oil from the Kingdom, and therefore it had to build a refinery complex that could overcome this problem. Minister Wu Yi said

that a refinery complex to process such crude oil was now being constructed. Once this project was completed, China would increase its purchase of Saudi crude oil (*BBC Summary of World Broadcast* 29.02.96).

Despite the above constraint, the two countries further promoted and deepened the existing oil cooperation. The strong commitments that the leaders and high-ranking officials made concerning the cooperation had profound implication for the Sino-Saudi oil trade engagement. Since 1997, a series of agreements concerning oil trade dealings between the Saudi ministry and Chinese oil company, as well as between the oil companies of the two countries, was signed. A number of Chinese oil companies began to court oil supplies from the Kingdom. This development, one may argue, reflects a growing Chinese oil dependency on Saudi Arabia. In January, PengJunDa Co. and the Saudi Arabian Ministry of Petroleum and Mineral Resources renewed their contracts on oil sales. PengJunDa Co. would promote oil sales to Canton, Shandong and Sichuan provinces (*IPS - Inter Press Service* 02.01.97).

Four months later, a five-year agreement was concluded between Petromin Lubricating Oil Company (Petrolube) and China's company. The former would export 30,000 tons of oil and lubricants to China's market, a volume that would be increased by 20 percent each year. The value of this agreement totalled USD 18 million (*Middle East News Items* 20.05.97).

In June, Saudi ARAMCO and Sinopec signed a Letter of Intent (LOI) concerning the exportation of Saudi oil to China. This agreement was sealed during the visit of a Sinopec delegation to Dhahran (*Moneyclips* 11.06.97). This delegation was comprised of 11 senior officials of Sinopec. The aim of this visit, as an Information officer of China's Embassy, Yang Tao, stated, was to intensify the Sino-Saudi cooperation in the oil and petrochemical sectors (*Moneyclips* 05.06.97). In a meeting with Saudi Oil Minister, the President of Sinopec, Sheng Huaren, mentioned that China's government was seriously considering the participation of Saudi companies in the development of a refinery complex. This refinery project would increase the export volume of Saudi crude oil to China (*Moneyclips* 11.06.97).

The state officials adopted pragmatic policies in assisting national oil companies. They firmly secured a government-to-government relationship based on a common interest in the oil commodity. An important point to note about this effort was that a guarantee of uninterrupted oil supply to China was indirectly offered. In the following four months, Saudi Oil Minister, Ali al-Naimi, visited China and discussed with Vice Premier Wu Bangguo the possibility of increased exportation of Saudi oil to China. This move was followed by the signing of an agreement between Saudi ARAMCO and Sinochem in December 1997 in Riyadh. Saudi ARAMCO agreed to export 60,000 bpd of crude oil to China. The signatories of the agreement were Vice President of Saudi ARAMCO, Saleh B. K'aki, and Vice President of Sinochem, Han Gensheng (*Middle East Newsfile* 27.12.97).

Chinese oil companies actively secured oil supply contracts from Saudi Arabia. In October 2000, China International United Petroleum & Chemicals Co., Ltd. (UNIPEC) reached 'a long-term agreement' with the Kingdom to purchase 180,000 bpd of Saudi oil in 2001 (92,000 barrels were added to the present 88,000 barrels of Saudi oil import). The terms of the agreement allowed UNIPEC to purchase 80 percent of light Arabian crude oil and 20 percent of a medium Arabian crude oil from the Kingdom (*Middle East Newsfile* 08.11.00).

China's government finally decided to increase the purchasing volume of oil from Saudi Arabia. This decision reflected the degree to which China would be locking up Saudi oil and the extent to which Saudi Arabia would broaden its access to the Chinese oil market. The two countries would become increasingly interdependent were a proposal of oil refining joint venture to be endorsed. During an interview with the *Saudi Gazette*, a newly appointed China ambassador to Saudi Arabia, Wu Si Ke, commented, 'We will be importing 2.5 million tons of oil this year, 3.5 million tons next year and 4.5 million tons for the next five years' (*Middle East Newsfile* 01.10.00). The ambassador said an additional volume would be decided on a yearly basis for a period of five years. The ambassador also said that a proposal concerning a joint venture to develop three oil refineries in China was being considered. Saudi ARAMCO and Korea's Ssangyong

Company were to be the partners in this venture. There were two factors that might delay the proposal. The first was that an existing oil refinery in China was still meeting the demand for petrochemicals. The second had to do with the location of this plant (*Middle East Newsfile* 01.10.00). When the two countries were ready to cooperate in constructing and upgrading the oil refineries, China would be able to prepare itself to become 'a stable importer of Saudi crude' (*Middle East Newsfile* 20.12.00).

Between 1991 and 2000, oil from Saudi Arabia increasingly gained importance in China's market. Table 4.7 and Graph 4.7 show the escalation of China's demand for Saudi oil, from approximately 84 thousand tons in 1991 to 5.7 million tons in 2000. In 1992, the demand was more than double, having increased by 123 percent (103 million tons) from the demand in 1991. Between 1993 and 1997 (with the exception of 1994), China's oil import from Saudi Arabia grew at a steady rate of less than 1 million tons each year. In the following three years, the upward trend of China's demand for Saudi oil moved at a variable rate: it jumped sharply by 1.3 million tons (262 percent) in 1998; grew by 689 thousand tons (38 percent) in 1999, and increased enormously by 3.2 million tons (129 percent) in 2000.

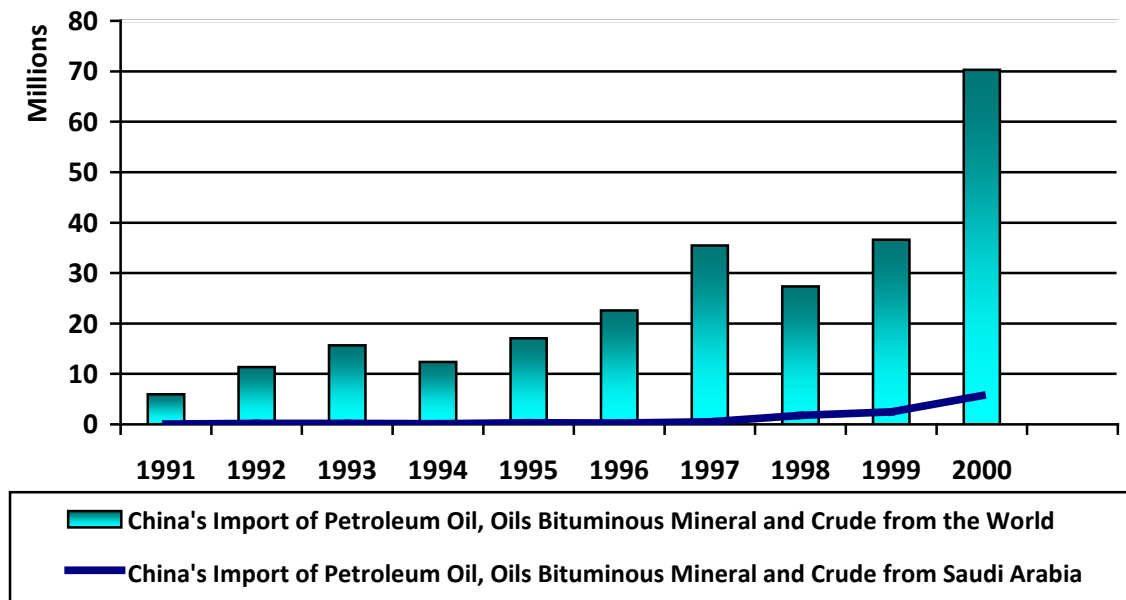
There was also the reasonable likelihood that Saudi Arabia would become a major oil supplier to China. In the first decade since diplomatic relations had been established, the Saudi Arabian share of China's total world oil imports gradually climbed from 1.41 percent in 1990 to 8.16 percent in 2000. During the last three years of the decade, however, this share substantially rose by an average of 7.2 percent.

Table 4.7: China's Imports of Petroleum Oil, Oils from Bituminous Minerals and Crude from the World and Saudi Arabia, 1991 - 2000 (Tonnes)

	China's Imports of Petroleum Oil, Oils from Bituminous Minerals and Crude from the World	China's Imports of Petroleum Oil, Oils from Bituminous Minerals and Crude from Saudi Arabia	% Change	Percentage of China's Imports of Petroleum Oil, Oils from Bituminous Minerals and Crude Coming from Saudi Arabia
1991	5,972,471	84,001	-	1.41%
1992	11,357,906	187,324	123%	1.65%
1993	15,671,205	214,794	14.7%	1.37%
1994	12,345,912	146,449	-31.8%	1.19%
1995	17,089,939	338,551	131.2%	1.98%
1996	22,616,949	230,635	-31.9%	1.02%
1997	35,469,701	499,909	116.8%	1.41%
1998	27,322,632	1,807,618	261.5%	6.62%
1999	36,613,688	2,496,968	38.1%	6.82%
2000	70,265,318	5,730,211	129.5%	8.16%
Total	254,725,721	11,736,460	-	-

Source: United Nations Commodity Division

Graph 4.7: China's Imports of Petroleum Oil, Oils from Bituminous Minerals and Crude from Saudi Arabia, 1991-2000 (Tonnes)



Source: United Nations Commodity Division

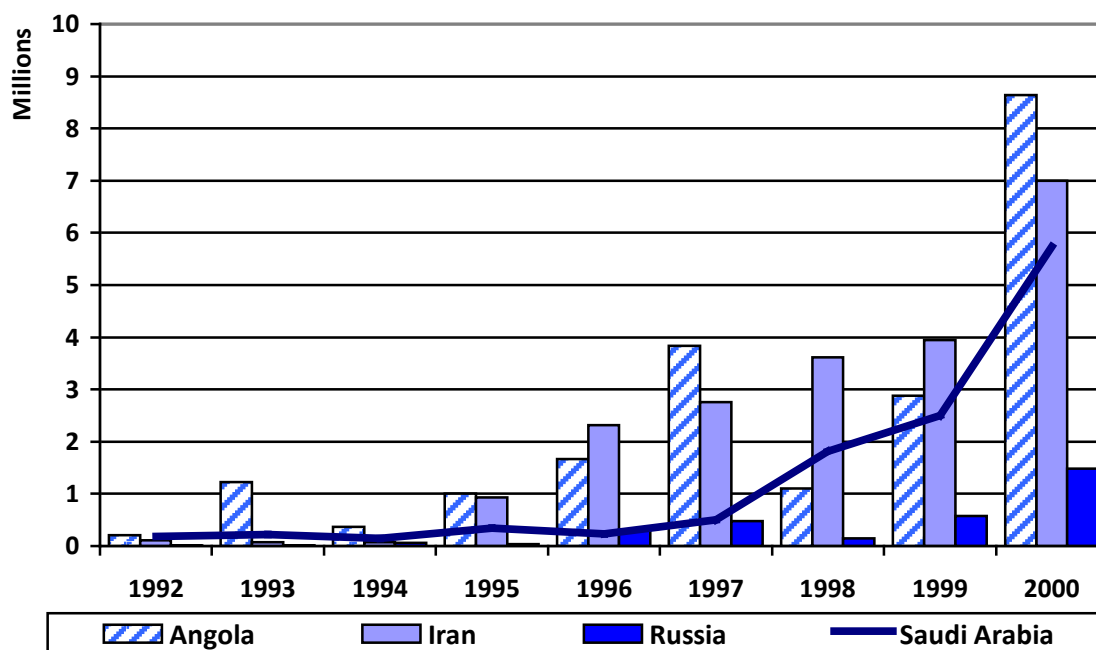
The following data gives details on the comparison of the volume of China's oil imports from major suppliers namely Saudi Arabia, Angola, Iran and Russia (Table 4.8 and Graph 4.8). The data also indicates that China and Saudi Arabia gradually and actively built their oil cooperation during a decade of diplomatic relations. The cooperation could be considered as a constructive and meaningful engagement. Between 1992 and 2000, China's oil import from Saudi Arabia ranked third after Angola and Iran. The purchasing of the Saudi oil, moreover, had been growing dramatically since 1998 and seemed to be highly competitive with the import of oil from Angola and Iran. Such a trend suggested the likely possibility that China would become a dependent client of Saudi crude oil in the coming years.

Table 4.8: China's Oil Import from Major Suppliers, 1990-2000 (Tonnes)

	Saudi Arabia	Angola	Iran	Russia
1990	N/A	N/A	301,240	N/A
1991	84,001	N/A	55,000	N/A
1992	187,324	203,834	114,990	7,501
1993	214,794	1,224,482	67,860	13,923
1994	146,449	372,145	69,120	57,072
1995	338,551	998,863	931,221	36,530
1996	230,635	1,662,379	2,311,106	318,932
1997	499,909	3,836,640	2,756,718	475,257
1998	1,807,618	1,104,985	3,619,989	144,578
1999	2,496,968	2,876,005	3,949,291	572,276
2000	5,730,211	8,636,634	7,000,465	1,476,738

Source: United Nations Commodity Division

Graph 4.8: China's Oil Import from Major Suppliers, 1990-2000 (Tonnes)



Source: United Nations Commodity Division

Non-energy Trade Links

The Saudi and Chinese markets were new markets for the business communities of the two countries in promoting their products, generating huge profits and expanding their business activities. Through trade exhibitions and trade delegations, Chinese businessmen were able to establish a trading route with the business groups in Saudi Arabia. They also attempted to understand the environment of the new market and the way in which Saudi business was conducted. In December 1989, a delegation led by Zheng Hongye held the China Export Commodities Exhibition in Riyadh (at this time, the two states had no diplomatic relations but had already established trade representative offices). During the exhibition, a USD 32 million export contract was signed. The contract seemed to be conducive to the upcoming trade activities and created the opportunity for Chinese products to satisfy the needs of customers in Saudi Arabia (*Xinhua General News Service* 28.07.90). In April 1991 (several months after the diplomatic relations had been established), a Chinese trade delegation led by Zhang Heng Qu arrived in Jeddah. With the objective to establish long-term trade cooperation with the Kingdom, the trade delegation sought firsthand knowledge of the business environment in Jeddah.

At the early stage of the trade engagements, the range of exports and imports between the two countries had been relatively limited. China's major exports to Saudi Arabia mainly constituted 'foods, farm produce, arts and handicrafts, hardware, machinery, electrical appliances and textile and light industrial goods, whereas its imports from the Kingdom were dominated by 'fertilizers, chemical raw materials, iron and steel' (*Xinhua General News Service* 28.07.90).

In the following year, China diversified and boosted its exports to Saudi Arabia. From trading in goods, China began to export its service to the Kingdom. In December 1991, thirty-four nurses from China arrived in Saudi Arabia. They were the first group to work under the contract that had been formed between the China Medical Corporation for International Technical Cooperation (CMTC) and Projects for Health Program Company Ltd. from Saudi Arabia. Under this contract, 2,000 nurses and medical staff would begin

their work in the Kingdom. The contract would last for ten years, and was known as ‘the biggest medical labour export project’ of China. These nurses received additional training, including the learning of Arab tradition and culture. The Saudi company also requested the arrival of Chinese doctors who had medical expertise in ‘acupuncture, narcotherapy, and physical therapy’, as well as Chinese engineers who specialized in the technology of medical equipment. Moreover, as was mentioned in the contract, some of the departments within Saudi hospitals would benefit immensely from the employees and equipment from China (*Xinhua General News Service* 19.01.92).

China continued diversifying its products by exporting its domestically produced cars to Saudi Arabia. In 1992, for the first time, at least 209 mini-buses were exported to the Kingdom through the Huangpo Port in Guangzhou. These automobiles were domestically produced by Quanzhou Peugeot Corporation, which utilized French technology (*Xinhua General News Service* 11.05.92).

China stepped up its efforts to increase the size of the Saudi market for its exports. Three trade exhibitions were organized in 1993, delivering a variety of made-in-China products. Exhibitions were held in both countries. At one of the exhibitions, China promoted the products that were produced by Chinese Muslim communities. This initiative showed that China wanted to highlight Muslim products in its trade cooperation with Saudi Arabia. From June 12-16, Beijing hosted the Beijing International Muslim Economic and Trade Fair, which invited the participation of Saudi companies. This was held in the Beijing International Convention Centre. It was expected that this fair could boost economic, trade, technical and scientific cooperation between China and Islamic states. Products that had the features of Muslim culture and tradition were also displayed at this exhibition. These products originated from Ningxia, Ganxu, and Xinjiang Qinghai provinces. At the same time, there was also a symposium on Economic and Trade Cooperation between China and Islamic Countries. In November 1993, Jeddah hosted China’s trade fair. At this exhibition, ‘more sophisticated technology and advanced industrial products’ of China were promoted. The same exhibition, though on a smaller scale, was also held in Dammam.

China's policy of actively organising trade exhibitions and sending trade delegations had mixed implications. For China, the policy led to the increasing of exports, especially consumer goods, to Saudi Arabia. It enabled China to gain the position of being one of the top ten importers of the Kingdom. Regarding the purchasing of Saudi Arabian products, China attempted to diversify its imports from the Kingdom, which mainly consisted of petrochemicals and fertilizers. For example, in 1993, China placed its first order from Zamil Steel's Pre-Engineered Building (PEB) division. The order was for 'a 10,000 square meter pre-engineered building', which would be used for an air conditioning plant in Shenzhen (*Moneyclips* 14.05.93). However, the volume of Chinese imports was less than its exports to the Kingdom. As a consequence, Saudi Arabia was running a trade deficit with China (*Moneyclips* 25.08.94).

To address this imbalance, a number of strategies to reduce the trade deficit were carefully considered. The strategies concerned Saudi's competitive advantage and the pivotal role of Saudi business communities. The first strategy was to increase the Saudi oil export to China. The boosting of this export was expected to balance a small volume of Saudi 'finished and manufactured products' exports to China (*Moneyclips* 13.06.94). The second strategy involved the participation of Saudi business enterprises in the Chinese market. Vice-Secretary General of the Eastern Province Chamber of Commerce, Saleh al-Humaidan, urged Saudi businessmen to reap the benefits of China's market. 'Saudi businessmen must go there, explore the market, and establish a foothold.' They were also urged to take advantage of 'a healthy economic relationship' between the two countries (*Moneyclips* 13.06.94). Humaidan also suggested that a proper marketing strategy would help distribute non-oil, Saudi products within China's market. Saudi entrepreneurs were to use Saudi export agencies in order to distribute their products.

The need to increase business presence in the Chinese market had called for the participation of Saudi Arabia in trade fairs and conferences throughout China. The exhibitions and conferences were the venues where governments and business groups could meet and learn about the business environment of the two countries, as well as fasten bilateral economic engagements. In March 1994, Minister of Commerce of Saudi Arabia Sulaiman Abdel-Aziz al-Solaim and Saudi entrepreneurs attended an economic

conference of China and Saudi Arabia in Beijing. Approximately one hundred businessmen and government officials of two countries attended this conference, intending to enhance the bilateral commercial links (*Xinhua News Agency* 21.03.94).

China's trade policy towards Saudi Arabia was consistent. Chinese authorities and business people used trade exhibitions as the most preferable and operative strategy in marketing goods and services and acquiring business deals. Chinese companies gathered various companies from different provinces to display their commercial products at the trade fairs. Trade exhibitions, in some regard, signalled the ever-increasing trade cooperation among the two nations and also widened the scope of business opportunities.

From the 30th of November to 5th of December 1994, eighteen of China's provinces and municipalities and more than a hundred companies from China promoted their technologies and displayed export commodities in the China Trade Exhibition in Riyadh. The organizer of the exhibition was the China Council for the Promotion of International Trade (CCPIT). During this event, China secured USD 10 million worth of contracts (*Moneyclips* 07.12.94).

In March 1995, Jeddah hosted China's Trade Fair in which USD 11 million of business deals were signed between Chinese and Saudi companies. The deals were characterised as 'short-term sales arrangements and long-term contracts.' Among the participating companies were China Jiangsu Arts & Crafts Imp. & Exp. Corporation, China Jiangsu Eastar Imp. Corporation, China Jiangsu Light Industrial Products Corp., China Jiangsu Machinery Corp., China Textile Corp., China Knitwear & Home Textile Group, China Silk Corp. (*Moneyclips* 28.03.95). Seventy trade delegations from Jiangsu Province were also present at this fair. More than 70 companies from China displayed their products at this exhibition.

In December of the same year, China's businessmen joined the Lifestyle Exhibition in Jeddah, and the Dhahran International Exhibition Centre in the Eastern province of the Kingdom. At the Dhahran Exhibition, the major participants consisted of 30 companies from the Fujian province. During this exhibition, the companies intended to seek

partnership with Saudi companies. In December 1996, the Fifth China Trade Exhibition was held in Jeddah in which 65 commercial and industrial companies from China participated.

In March 1998, forty companies from Jiangsu province participated in the China Commodities Fair held in Jeddah. China's delegations to this event were 12 members of Jiangsu Economic and Trade and led by the vice governor of Jiangsu Province, Wang Rongbin. Also attending this event was the Secretary General of the Jeddah Chambers of Commerce and Industry (JCCI), Majid Abdullah Kasabi, who stressed that the JCCI would encourage more cooperation between the business people of the two countries.

In September 1999, the Minister of Commerce of Saudi Arabia, Osama Jaafar, and 15 other business delegations attended the China Fair for International Investment and Trade in Xiamen (Fujian Province). This event was an opportunity for the Kingdom to market its non-oil and non-chemical based products to China (*Middle East Newsfile* 14.08.99).

In November 2000, the China-Saudi Friendship Association and the Council of the Saudi Chambers of Commerce and Industry organized the Sino-Saudi symposium on trade and economic cooperation in Beijing. Around 200 businessmen from Saudi Arabia and China attended the symposium (*Xinhua General News Service* 01.12.91).

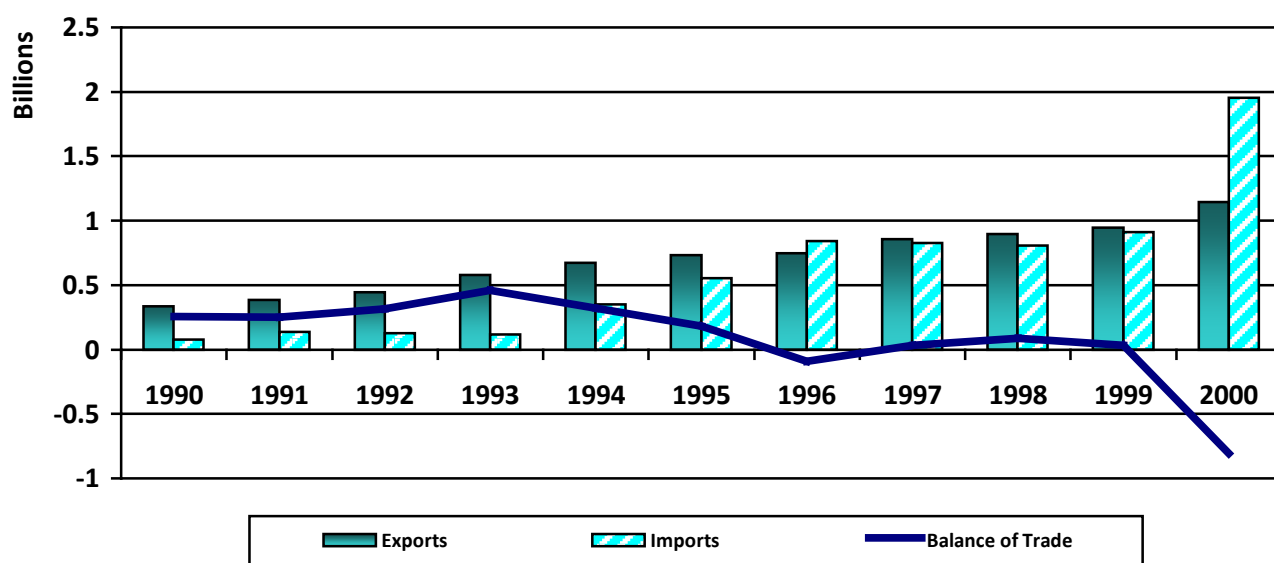
In the years between 1990 and 1993, the total trade volume between both countries was less than USD 1 billion, with an average value of USD 550 million annually. This trade volume rose remarkably by 146.3 percent (2.5 times) in 1994, and 642.8 percent (7.4 times) in 2000. There was also a switch in the trade deficit from Saudi Arabia to China. Between 1990 and 1995, China ran a trade surplus with the Kingdom that accounted for USD 45.3 billion. From 1996 to 2000 (with the exception of 1997 to 1999), China began to report a trade deficit with the Kingdom because its imports had outpaced its exports to Saudi Arabia (Table 4.9 and Graph 4.9).

Table 4.9: China's Exports to and Imports from Saudi Arabia, 1990 -2000 (US Dollars)

	Exports	Imports	Balance of Trade	Total Volume of Trade
1990	337,444,000	79,652,600	257,791,400	417,096,600
1991	387,422,000	138,246,000	249,176,000	525,668,000
1992	444,289,000	127,415,000	316,874,000	571,704,000
1993	578,750,000	118,642,000	460,108,000	697,392,000
1994	674,351,000	352,782,000	321,569,000	1,027,133,000
1995	734,365,000	553,046,000	181,319,000	1,287,411,000
1996	748,498,000	839,706,000	-91,208,000	1,588,204,000
1997	855,092,000	824,866,000	30,226,000	1,679,958,000
1998	895,974,000	807,979,000	87,995,000	1,703,953,000
1999	943,734,000	911,595,000	32,139,000	1,855,329,000
2000	1,144,720,000	1,953,510,000	-808,790,000	3,098,230,000

Source: United Nations Commodity Division

Graph 4.9: China's Exports to and Imports from Saudi Arabia, 1990 - 2000 (US Dollars)



Source: United Nations Commodity Division

4.4.3.3 Exploring Investment Opportunities

In the hydrocarbon sector, the two countries opened negotiations for mutual investment in oil refining and petrochemical sectors in the early part of the 1990s. During the negotiation stage, the Chinese and Saudi leaders extended full support to the Sino-Saudi cooperation and joint investment in these sectors. Owing to the continued encouragement of the leaders, as well as a strong commitment on the part of the oil and petrochemical companies, the negotiations on joint venture projects located in Qingdao, Maoming and Fujian witnessed some significant progress. In the non-hydrocarbon sector, the authorities and the business communities of the two countries were seen as the prime movers of the Sino-Saudi mutual investment. The main purpose of the following analysis, therefore, is to evaluate the progress and achievement that the two countries made in the hydrocarbon and non-hydrocarbon sectors. The historical context of the joint investment will be emphasized in this analysis.

4.4.3.3.1 Mutual Investment in the Hydrocarbon Sector: Refining and Downstream Process

Mutual investment in the oil refining sector began to take the shape in 1992, when Chinese Vice Premier and the representatives of Saudi ARAMCO and Ssangyong Oil Refining Co. Ltd met in Beijing. Since then, negotiations on joint investments in Qingdao and Maoming oil refining projects and the Fujian oil refining and petrochemical project had been progressively coordinated.

In 1996, the future prospects for a Sino-Saudi joint investment in the petrochemical sector increased when Chinese representatives attempted to invite the participation of Saudi companies in petrochemical projects in China. China's delegation presented a number of proposals regarding petrochemical cooperation. Some of the attractive proposals included an expansion project for the state-owned Nanjhou refinery and the development of 500,000-ton ethylene unit (*Moneyclips* 05.08.96).

In 1997, a vital step in petrochemical cooperation took place and was said to have realised the aspiration of Saudi leaders. In October 1997, Saudi ARAMCO, American Exxon and China's companies reached an agreement regarding a joint petrochemical

project in Wuhan. The agreement covered an implementation of a feasibility study of the project, marketing, distribution and operation in Hubei Province. With a new distillation and breaking units, the Wuhan project was expected to produce petrochemical products and light oil. This project, as Saudi Oil Minister commented, was a positive response to the interest of King Fahd and Crown Prince Abdullah in intensifying the Sino-Saudi economic ties (*BBC Summary of World Broadcasts* 21.10.97).

The motivation and commitment of Chinese companies to develop cooperation in the petrochemical sector remained firm and strong. Sinopec sent the largest delegation to the Second Middle East Refining and Petrochemical Conference and Exhibition (Petrotech '98) in Saudi Arabia in September 1998. Eighteen countries and approximately two hundred companies also attended this event. The participants of the conference reached a consensus wherein partnership was to be encouraged in refining and petrochemical operations. This cooperation would provide low-cost operations, increase production and produce the superior technology (*Middle East Newsfile* 18.09.98).

Chinese and Saudi companies maintained a relentless momentum of fostering cooperation in the petrochemical sector. They called for the implementation of the 'envisioned cooperation' in this sector. The common willingness was expressed during the meeting of President and CEO of Saudi ARAMCO, Abdallah S. Jum'ah, with the delegations from China in June 2000. Seventeen representatives of Chinese companies involved in the oil, gas, petrochemical and power industries visited Saudi Arabia, led by Wang Tao, who was also a former oil minister of China. Also attending this meeting was China's ambassador to the Kingdom, Yu Xingzhi (*Middle East Newsfile* 01.06.00).

In the oil sector, the Saudi and Chinese governments fully supported oil cooperation, which included the concerted efforts that had been coordinated by the state-owned companies. The support suggested that the governments were the solid bedrock of oil cooperation. In 1997, China's Vice-Premier, Wu Bangguo, said that the Chinese government was supporting Sinopec and Saudi ARAMCO in developing 'a direct, long-term and stable cooperation'. Minister Ali al-Naimi, who met with Vice Premier Wu

Bangguo, also claimed that the Saudi government confirmed its continuing commitment to the Sino-Saudi economic and trade cooperation (*Xinhua News Agency* 13.10.97).

The oil policies of the two governments and the state oil companies were economically and politically significant. Since the establishment of diplomatic ties, these policies had been heavily influenced by the development of the Sino-Saudi bilateral relations. In the visit of Crown Prince Abdullah to China in 1998, the two countries agreed to establish 'strategic cooperation relations', particularly in the fields of oil and the downstream processing sector.

The oil policy of Saudi Arabia had been to seek new markets for its oil products, with constant attention to Asian and European countries. As Saudi Minister of Petroleum and Mineral Resources Ali al-Naimi emphasized, it had always been the Kingdom's policy to promote the sales of its petroleum and to broaden its share in the world market. Among the beneficial effects of this policy on the Saudi ARAMCO-Sinopec relationship was the signing of a Letter of Intent (LOI). It was jointly agreed that oil from Saudi Arabia would be sold to the Chinese market, and the possibility of forging refining and marketing joint ventures would be also studied.

What made Saudi ARAMCO such an outstanding player in Sino-Saudi oil cooperation was a policy to establish 'joint ventures for oil refining, distribution and marketing' in foreign countries. From the joint ventures in the oil refining industries of the US, South Korea, Philippines and Greece, Saudi ARAMCO was now exclusively concentrating on similar ventures in China.

Since energy consideration was also the major priority of China's foreign policy, President Jiang Zemin acknowledged that oil cooperation was an important and progressive agenda in the Sino-Saudi relationship. If the visit of Crown Prince Abdullah to China in 1998 underlined the strategic relation of the two countries in the oil sector, the return visit of President Jiang Zemin in 1999 highlighted the signing of the Memorandum of Understanding (MoU) on oil cooperation between the two nations. The President's visits also brought about the forming of several other agreements.

Table 4.10 presents some of the significant achievements that Saudi Arabia and China, and their national oil companies, had reached through bilateral oil and petrochemical cooperation. Further discussion of the achievement has been individually assessed in the sub-sections that follow.

Table 4.10: Achievements in Oil and Petrochemical Cooperation, 1990 - 2000

Year	Project	Progress
1992	Qingdao Refinery Project	Discussed the mechanism of JVs in oil refining sector . Discussion was held among China's Vice Premier Zou Jiahua, Chief Executive Officer of Saudi ARAMCO Ali al-Naimi and President of Ssangyong Oil Refining Co. Ltd. of the Republic of Korea Sin Dong Kim.
1993	Qingdao Refinery Project	Discussed the possibility of developing an oil refinery the Qingdao City Economic and Technological Development Zone. Discussion was held between the representatives of China Petrochemical Corp. (Sinopec) and Saudi ARAMCO.
1994	Qingdao Refinery Project	Proposed the joint building of USD 1.5 billion oil refinery in Qingdao (in Shandong province, east of China).
1995	Qingdao Refinery Project	Negotiation on the development of oil refinery in Qingdao continued. The representatives of Saudi ARAMCO, Ssangyong Oil Refining Co. Ltd. and the Chinese government conducted the negotiation on the project. The distribution of investment share was approved
1995	Maoming Refinery Project	The representatives of Saudi ARAMCO and the Chinese government negotiated on the development of refinery on Maoming (South of

		China). The negotiation was then halted due to a particular reason.
1996	Qingdao Refinery Project	The proposal of project construction awaited an approval from the Chinese authority.
1997	Fujian Refinery Project	Discussed an upgrading of oil refinery complex in Fujian.
1998	Qingdao Refinery Project	There was a reliable indication that this project would be delayed.
1999	Fujian Refinery Project	The feasibility study of the project was completed.
2000	Fujian Refinery Project	The Chinese government approved the project.

Oil Refining Project in Qingdao

Several preliminary discussions concerning a joint venture in the oil refining sector took place in 1992 and 1993. A strong link between Chinese and Saudi governments and their national oil companies unlocked the potential of mutual investment in Chinese oil refining projects. In October 1992, a meeting among China's Vice Premier Zou Jiahua, Chief Executive Officer of Saudi ARAMCO Ali al-Naimi, and President of Ssangyong Oil Refining Co. Ltd. of the Republic of Korea Sin Dong Kim was held in Beijing. They discussed the logistics of developing a joint venture in oil the refining sector. In 1993, China Petrochemical Corp.(Sinopec) and Saudi ARAMCO also discussed the development of oil refinery in the Qingdao City Economic and Technological Development Zone. The possible cooperation would lead to the construction of 'the largest export-oriented oil refinery base' in China (*BBC Summary of World Broadcast* 21.04.93).

A year later, China, Saudi Arabia and Korea proposed the joint building of USD 1.5 billion oil refinery in Qingdao (in Shangdong Province). The suggested shares of this project were as follows: Saudi ARAMCO – 45 percent, National Chemical Corp. and Qingdao Municipal Government – 40 percent, and Ssangyong Oil refining Co. – 15 percent. The proposal was also made during the consultations among the high-level officials of the two countries. One of these consultations was conducted between China's

Minister of Foreign Trade and Economic Cooperation, Wu Yi, and Saudi Commerce Minister, Sulaiman al-Solaim.

According to China's ambassador to Saudi Arabia, Zheng Dayong, the construction of Qingdao refinery complex would begin in 1997 with a processing capacity of 300,000 bpd of crude oil (*Associated Press Worldstream* 05.10.94). When the construction of the complex was completed, Saudi Arabia would supply 10 million tons of crude oil annually for a period of 30 years. Saudi oil import would be increased when the production of this refinery reached 15 million tons annually (*Moneyclips* 17.01.95).

The proposal of the Qingdao joint venture project, as China's officials had viewed, offered tremendous opportunities to the two nations. Ambassador Zheng Dayong contended that this project would enable China to re-export Saudi oil to the South Asian market. China's Economic and Commercial Counsellor in Riyadh, Zhang Dimo, considered the proposal to be a bold step of widening investment opportunities between China and Saudi Arabia. At the same time, it indicated an increasing of Saudi oil export to China: China began to import nearly 3.4 million tons of Saudi oil in 1995.

Beginning in March 1995, the parties involved in the joint venture took appropriate measures to speed up the progress of the project. In that month, the distribution of investment shares for the project was officially approved and allocated among Saudi ARAMCO, Ssangyong and the Chinese government (*The Associated Press* 27.03.95). In August 1996, the proposal for the project entered its final stage. In October 1997, Minister Ali al-Naimi discussed with the Deputy Governor of Shandong Province the construction of the project, which was awaiting the approval of China's State Council (*BBC Summary of World Broadcasts* 21.10.97).

In 1998, China's Economic and Commercial Counsellor to Saudi Arabia, Yang Han Xin, stressed that the preliminary study was being conducted on the proposal of developing a USD 1.5 billion refinery in Qingdao, but that there could be some delay because this proposal would be incorporated in the 10th Five-Year Plan of China (for 2000 - 2005).

The Qingdao project was important to China owing to increased domestic oil consumption, which had surpassed 331,000 bpd (*Middle East Newsfile* 25.08.98).

Oil Refining Project in Maoming

Saudi ARAMCO continued to seek investment opportunity in Maoming oil refinery, the second largest oil refinery of China, but there was a procedural obstacle regarding the volume of joint investment. In March 1995, the two countries further negotiated on the development of this refinery. The investment share of the project, however, had not yet been arranged (*The Associated Press* 27.03.95). Moreover, the negotiation was halted since Saudi ARAMCO had requested a 50 percent of share investment. The request was apparently contradictory towards China's policy that merely authorized the foreign companies to own 49 percent of the share (*Middle East Economic Digest* 15.09.95).

Oil Refining Project in Fujian

Since China had been gradually increasing the petroleum import from Saudi Arabia, the need to upgrade the existing refineries became crucial. Oil companies from China, Saudi Arabia and the US discussed an improvement of a refinery complex in Fujian, which merely processed light crude oil. A discussion of the project was also initiated by China and Saudi governments, and was pushed forward after the visit of the Saudi Oil Minister to Beijing in October 1997.

Saudi ARAMCO considered Fujian plant as its 'fifth international refining and marketing venture' in the making. In 1998, a negotiation with ExxonMobil on a development of a joint venture project in Fujian was underway (*Middle East Newsfile* 04.10.98). In 1999, President Jiang Zemin discussed Fujian oil refinery and petrochemical project with the Saudi leaders during his visit to Saudi Arabia.

In 1999, the project attained a significant achievement. Vice Governor of the China People's Government of Fujian Province, Cao De Gan, said that 'feasibility studies' on a joint venture of Fujian refinery plant had recently been completed. It was now (1999) time to seek an official approval from the Government of Fujian Province.

After several years of ongoing negotiations, China's government eventually approved the proposal to expand the refinery and petrochemical complex in Fujian in October 2000. The participants of this joint venture project were Saudi ARAMCO, ExxonMobil and Fujian Petrochemical (Sinopec and the Fujian provincial government). Saudi ARAMCO and ExxonMobil individually held 25 percent of the investment shares, with the remaining shares owned by the Fujian Petrochemical. This project would build 'a 600,000 metric ton per year (mt/year) cracker, a 450,000 mt/year polyethylene unit, and a 300,000 mt/year polypropylene plant' (*Chemicalweek Asia* 11.10.00). The Fujian refinery plant was also expected to be the principal supplier of petrochemical products in China.

Among the desirable outcomes of this project were a favourable trade balance for Saudi Arabia and the strong possibility of foreign companies acquiring a significant share of China's energy market. The Fujian province would also benefit from the petroleum products that would be locally distributed from this refinery.

4.4.3.3.2 Mutual Investment in the Non-hydrocarbon Sector

As early as 1992, the provincial authorities in China played a larger role in promoting Chinese outward investment. The authorities were seen to propose joint ventures with foreign countries. Ningxia Hui Autonomous region, which was known as a China's Muslim province, had set up a plan with the Kingdom to invest in its capital, Yinhcuan City (*Xinhua General News Service* 03.07.92). Meanwhile, in a report given by the Head of the Hubei Commission for Foreign Economic Relations and Trade, Zhang Zhiwen, eighteen companies from Hubei had been formed in Saudi Arabia and other ten countries (*Xinhua General News Service* 04.06.92).

In the same year, a Saudi-based company also poured its investment into China. Bawahab Est. for Trade & Contracts produced Beta refrigerators in China. Some years later, its Director-General, Salim Bawahab, planned to choose China as its manufacturing outlet

for certain electrical and electronics products. With a new brand, these products would be exported to Saudi Arabia and the Gulf markets.

A year later, there were also a number of Saudi firms that attempted to operate their investment activities in China. These firms were interested in investment opportunities in China's real estate development and construction sector. In June 1993, an economic advisor to China's city of Yixing in Jiangsu Province said that Saudi investors showed their keen interest in investing in China's real estate and other property development. Moreover, in a meeting in Jeddah, Saudi business groups were also keen to invest in the reconstruction and expanding of mosques, and develop 'office blocks, shopping complexes and commercial centres in China (*Moneyclips* 20.06.93).

A government-owned company of Saudi Arabia chose to invest in the maritime logistics sector of China and the investment locations were varied and strategic. The investment was seen to contribute a value-added element to Sino-Saudi economic ties. The commercial success of this company rested on the success of the Sino-Saudi relationship. It began in May 1992, when an agreement was concluded between the National Shipping Company of Saudi Arabia (NSCSA) and the Shekou Container Port of China's Shenzhen Special Economic Zone. This agreement aimed at developing Shekou as a port in the world's shipping line. The Saudi company, however, was satisfied with the condition of the port and its technological level (*Xinhua General News Service* 15.05.92). Two years later, NSCSA began to invest in Tianjin, the north China port city (*Xinhua News Agency* 13.09.94). In the following year, NSCSA planned to begin its service in Tianjin after the first operation was launched in Shanghai in 1994. This remarkable progress indicated the expansion of a Saudi shipping line in China, particularly in the northern part of the country which also included Beijing. The Deputy Director of NSCSA's Lines and Information Technology, Hussein al-Maktum, saw his company's success as a direct reflection of a growing bilateral Sino-Saudi relationship. NSCSA was a petrochemical shipper (*Xinhua News Agency* 09.04.95) and the first Arab shipping company to conduct such business in China. Twenty-nine percent of its company's shares were independently owned by the Saudi government.

Providing services to Tianjin port was an economic opportunity for NSCSA: the company had 'a direct gateway' to the nearby markets of Qingdao, Dalian and Beijing, while the services to Shanghai allowed the NSCSA to access easily the ports of Jiangsu, Xiamen, and Ningbo. NSCSA widely served the markets between China and the Middle East and North America, and by transporting its cargos in these areas.

Since textiles served as one of the major components of China's exports to Saudi Arabia, the formation of joint ventures in the textile manufacturing sector was seen as potentially profitable. In October 1995, the delegation of the Jiangsu Yueda Industry Group visited the Eastern Province Chamber of Commerce and Industry (EPCCI) and sought potential areas of joint ventures. The Jiangsu Yueda Industry Group also intended to form partnership with Saudi company in manufacturing textiles in the Kingdom. For the purpose of manufacturing, cotton would be exported to the Kingdom, and the production process would take place in the Saudi industrial city.

The tourism sector, which had greatly stimulated the growth of China's economy, had managed to pull the inward investment of Saudi firms. According to Zhang Dima, the Economic and Commercial Counsellor at China's Embassy in Riyadh, the Kingdom already had a joint venture in the hotel industry of China. In July 1997, the Mayor of the capital of Beijing, Jia Qinglin, met with Abdul Latif Jameel, President of the Ali Group of Saudi Arabia in Beijing. During this meeting, the Saudi visitors showed their interest in becoming involved in renovation projects of the old area of the capital (*Xinhua News Agency* 08.07.97).

When the Saudi government increased its investment in the healthcare sector and the development of ports, Chinese firms were strongly motivated to broaden the scopes of their investments in the Kingdom. China's Ambassador to the Kingdom, Yu Chingchi, revealed that there were three important projects currently being studied. The projects that would be mutually invested in by the government and the private sectors were 'the construction of the Islamic Port in Jeddah, the production of pharmaceuticals, and the production of veterinary medicines at Dammam' (*BBC Summary of World Broadcasts* 09.12.98).

In 2000, the two nations reached a significant number of agreements on mutual investment in multiple projects. Twenty agreements were concluded between the Shamrany Group of Saudi Arabia and China's enterprises in April 2000. These agreements covered the following projects: 'electricity, tyre plastic weaving, railway reconstruction, oil drilling equipment, labour desert control and high technology'. In the power grid project, the Saudi company would invest USD 30 million (*Xinhua General News Service* 02.08.00). There was also bilateral cooperation between China and Saudi Arabia in producing fibreglass pipes in Dalian, which was expected to begin in June 2001. This joint venture was funded by Saudi authority and was known as the first investment of the Kingdom in Northeast China. The technology, as well as the equipment for this production, was purchased from Sweden and the US (*Xinhua General News Service* 19.05.00).

Conclusion

The PRC and KSA policy objectives and behaviour regarding the key issues in the Middle East region were generally consonant, but this was not consistent. In the Gulf War, for instance, the PRC and KSA governments opposed the Iraqi invasion of Kuwait. Yet, in Operation Desert Storm, the two countries adopted and implemented different policies and strategies. In contrast, regarding the Arab-Israeli conflicts, Riyadh's and Beijing policies have been reasonably coherent and consonant.

Official diplomatic relations between the PRC and the KSA were established on 21st of July 1990. The PRC enthusiastically welcomed this, but naturally the ROC sharply criticised the development. The ROC authority had attempted to prevent this shift of the diplomatic recognition that the KSA had granted it in 1946. The Saudi government cautiously responded to Taipei's criticism and scepticism. The change of emphasis in diplomatic recognition, however, did not downplay the importance of the ROC for the KSA and political and economic relations between the KSA and the ROC remained intact throughout the 1990s.

The PRC and the KSA cultivated bilateral political and economic relations over this period. The two countries were intent on building both energy and non-energy trade links. Their concerted efforts led to progress. The two countries witnessed increased oil industry co-operation, exchange visits and trade exhibitions. In terms of mutual investment co-operation, the PRC and the KSA became increasingly involved in both hydrocarbons and non-hydrocarbons sectors. Long-term investment in the hydrocarbons sector initiated direct negotiations regarding oil-refinery projects in Qingdao, Fujian and Maoming. In the non-hydrocarbons sector, mutual investment constantly generated development, involving different companies and sectors.

The characteristics of complex interdependence gradually developed through the Sino-Saudi bilateral link. The agenda between the two countries began to diversify, although economic issues dominated the inter-state strategy. The role of military power in Sino-Saudi relations was insignificant because China and Saudi Arabia did not seek or want a strategic defence relationship. Relations began to involve many actors and use multiple channels.

The Chinese and Saudi policies concerning some of the major events that occurred in the Middle East during the period between 1990 and 2000 reflect a growing commonality of values and norms, of the kind discussed in constructivist theory. The two countries emphasised the notion of regional peace and stability. Nonetheless, their policy behaviour with respect to the Gulf War and the sanctions against Iraq put them at odds on some issues. The two countries had a shared conviction that Israel's occupation of Arab lands was unjustified. Saudi Arabia allocated significant material resources to provide immediate assistance to the Palestinians during the Second Palestinian Intifada. China, for its part, played an important position as a permanent member of the UN calling for Israel's immediate halt to aggression.

Within the framework of constructivist theory, it could be said that the two countries articulated a set of common underlying principles in Sino-Saudi relations. These principles were peaceful coexistence, non-interference, mutual benefit and equality. The articulation of these principles was made in the statements of the Saudi and Chinese

foreign ministers which were issued in July 1990. Another form of shared understanding was reflected in the expectations which the two countries had. The Sino-Saudi missile deal was seen on both sides as a move towards facilitating the development of diplomatic relations. The two countries also believed that economic motivations would facilitate the establishment of diplomatic links. After they developed diplomatic relations, China and Saudi Arabia organized exchange visits among the leaders, government officials and business communities, aimed to foster the political and economic relations and understanding between the two countries.

**The Political and Economic Relations of
the People's Republic of China (PRC) and
the Kingdom of Saudi Arabia (KSA), 1949-2010**

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Chapter Five

Development of Sino-Saudi Relations in the Post-September 11, 2001-2010

Introduction

This chapter starts by outlining the nature of the international political system of the first decade of the 21st century. The international political system in this period sometimes described as shaped by the dynamics of the “post-9/11” era. That background is necessary to understanding Chinese and Saudi policies regarding international and domestic terrorism. The background also helps set the policies of the two countries with regard to the wars in the Middle East and the surrounding region, and the Arab-Israeli conflict, in context.

The chapter offers an in-depth analysis of Sino-Saudi relations throughout the second decade after diplomatic ties were established. In providing a comprehensive analysis, the sub-topics concerning the Sino-Saudi relations are divided into two timeframes: 2001-05 and 2006-10. Each timeframe concentrates on the same sub-topics, namely trade, investment and construction activities. The bilateral political contact between the two countries is also addressed in each timeframe. On the basis of these understanding, a theoretical conception of complex interdependence and constructivism are examined in this chapter by demonstrating the relevance of these concept and theory to Sino-Saudi relations over this period.

5.1 The Post September 11, 2001 Period

On September 11, 2001, nineteen members of the Al-Qa’ida launched terrorist attacks on the US by hijacking and crashing four planes. The disaster was overwhelming: thousands of people died, the Twin Towers of the World Trade Centre collapsed, and some parts of Pentagon was destroyed. On September 20, 2001, President Bush declared ‘the war on terror’, and less than three weeks later his administration responded to the terrorist attacks

by launching Operation Enduring Freedom against Afghanistan. The administration wanted to defeat the international terrorist organization Al-Qa'ida and dislodge the Taliban regime, which had strong links to Al-Qa'ida. Two years later, the US embarked on a military campaign against Saddam's regime. The Bush administration believed that if Saddam remained in power, 'the fundamental conditions that breed terror could not be changed' (Benjamin 2006 p.vii).

Bush's foreign policy in the aftermath of September 11th, however, had the effects of bolstering anti-American sentiments among some of people, especially in the Muslim world. There was a growing belief that the US administration was overreacting in its war on terror. Some perceived the pre-emptive war and encroaching occupation as a means for the US to dominate the world. Such perception, together with other factors such as the US-led invasion of Iraq in 2003, gave further incitement to the terrorist attacks around the world. The terrorist bombings in London and Madrid were among attacks of this type.

The US image in the international level could be improved when Barack Obama became US President on January 20, 2009. Like many other newly elected leaders in the world, President Obama was inspired by the idea of reform: he aimed 'to correct many of the errors committed by the Bush administration' (Cox 2011 p.79). Some US foreign policies towards the Middle Eastern countries began to change. Obama's administration started to pull American troops out of Iraq, to engage with Iran and to be actively involved in the Middle East peace process.

5.2 The PRC, the KSA and the World

The events of September 11th had profound implications for the foreign policies of both China and Saudi Arabia. China's government gave a strong commitment to the world counter-terrorism campaign, built cooperation with other states through counter-terrorism consultation, backed the countries that became the victims of terrorist organizations, joined with other members of the Shanghai Cooperation Organization (SCO) in resisting

regional terrorism, extremism and separatism, and consolidated its efforts in counteracting the acts of terrorist organizations of East Turkistan. The Saudi government also supported the global counter-terrorism campaign, but its relations with the US were tense during the few years after the 9/11 incident. This section will assess further Saudi and Chinese response to the fight against international terrorism.

As noted some problems arose in the 68-year-old US–Saudi relationship after the 9/11 terrorist attack. With fifteen Saudi nationals involved in this attack, and the alleged participation of Saudi citizens in financing the terrorist activities, relations between Riyadh and Washington became more complex and challenging. Saudi Arabia was strongly criticized in US circles, and some US observers even called for a revision in Saudi Arabian status as an ally of the US. It was a tough situation for both governments. Two examples of the effects of this situation were the denial of visa requests for many Saudis who wanted to travel to the US and a boycott of some American products and companies in Saudi Arabia (Bronson 2006 p.392). There were also vicious campaigns in the US media that defamed the Kingdom and provoked mutual hostility between the Saudis and Americans (*Middle East Newsfile* 22.10.01).

Both sides, however, proclaimed a common determination to combat terrorism. It was conveyed in a meeting between Saudi Foreign Minister, Prince Sa’ud al-Faysal, and President George W. Bush. The two leaders expressed a shared perception that every country should eradicate the terrorist threats from the world (*BBC Monitoring Middle East* 21.09.01). In 2001, the Saudi ambassador to the US, Prince Bandar bin Sultan stressed the Saudi government’s firm and strong stance on counter-terrorism, ‘Saudi Arabia maintain an unwavering stand, without reservations, against the perpetrators of terrorism. We appreciate the support given by the United Nations and the Security Council to the on-going efforts to confront terrorism and to freeze all its associated financial resources’ (*PR Newswire* 11.12.01).

A suicide bombing in Riyadh in May 2003 and a terrorist attack in the Kingdom in November of the same year strengthened Saudi commitment to fighting against terrorism (Bronson 2006 p.392). Many authors call these two events the 'wake-up call' for the Kingdom. Saudi Arabia began a four-year counterinsurgency campaign against Al-Qa'ida that lasted until 2007. The Kingdom's political, economic and security approaches to this campaign involved hunting for the militants, breaking up Al-Qa'ida groups, confiscating weapon caches, warning radical clerics, preventing 'money laundering and terrorist financing', and monitoring charities (Bronson 2006 p.393). A strong link was created between the FBI and Saudi intelligence forces. The FBI was allowed to access information on terrorist suspects and was even permitted to place their teams in the Kingdom (Bronson 2006 p.394). This development, to some extent, improved overall US–Saudi relations.

The Chinese government held a clear and firm stance towards terrorist threats throughout this period. This position, which most governments also revealed, embodied China's forceful resistance to terrorist organizations. It also signified China's readiness to join the US and the global community in deterring the unlawful actions of these organizations. When the US was attacked by terrorists on September 11, 2001, China immediately criticized this deadly incident. On the day after the attack, President Jiang Zemin had a conversation with President Bush, discussing the incident and expressing his sympathy with and condolences to the American government, its people and the victims' families (*Xinhua General News Service* 13.09.01). China's Foreign Minister, Tang Jiaxuan, delivered a speech stressing the Chinese government's commitment to fight against terrorism: 'the Chinese people stand by the American people and the entire international community in the fight against terrorism' (*Xinhua General News Services* 21.09.01).

The Chinese government was clearly serious, active and committed to the counter-terrorism campaign. To respond to the terrorist acts, China built its understanding of the campaign through cooperation with the UN, the major powers of the world and the neighbouring states. On December 11, 2001, Chinese Vice Foreign Minister, Li

Zhaoxing, said that since the incident, China had had consultations and built cooperation with the US in fighting against terrorism (*Xinhua General News Service* 11.12.01). A year later, China had already conducted anti-terrorism consultations with the US, Russia, Britain, France, Pakistan and India, and had been actively involved in the Security Council Anti-Terrorism Commission (*Xinhua General News Service* 09.12.02).

China's policy towards global counter-terrorism campaign remained consistent. It retained its close cooperation with the Arab states and increased its supports to the US in countering the terrorist violence. On behalf of the Chinese government, the spokeswoman of the Chinese Foreign Ministry, Zhang Qiyue, denounced the terrorist attacks in Riyadh. The Chinese government, as she said, also extended its support to the Kingdom in fighting against terrorism (*Xinhua General News Service* 14.05.03). Moreover, during the second Ministerial Meeting of the China–Arab Cooperation Forum in 2006, China and Arab states agreed to improve anti-terror cooperation at all levels. In this meeting, China also supported the establishment of an 'international anti-terror centre', which was proposed by King Abdullah bin Abdul Aziz (*Xinhua General News Service* 01.06.06). During President Obama's visit to China in November 2009, the US and Chinese governments agreed to enhance their cooperation in fighting against terrorism. The two governments promised to strengthen their 'joint efforts to combat transnational crime and criminal organization as well as money laundering and the financing of terrorism, including counterfeiting and recovery of illicit funds' (*Xinhua General News Service* 17.11.09).

China joined with other countries in regional cooperation in counteracting the terrorist threat. Established in June 2001, the Shanghai Cooperation Organization (SCO) had six members: China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. Its members reached an agreement and formed an agency in combating terrorism, separatism and extremism. In 2002, the heads of state of the SCO members signed the Agreement on a Regional Anti-Terrorist Agency. Two years later, this agency was established with the purpose of continuing the fight against regional terrorism, separatism and extremism

(*Xinhua General News Service* 17.06.04). The members also pledged to continue abiding by the UN Global Counter-Terrorism Strategy. The role of the SCO, however, has not limited to the security agenda. The SCO has multi-functions and broad objectives, for instance, ‘promoting effective cooperation in politics, trade and economy, science and technology, culture as well as education, energy, transportation, tourism, environmental protection and other fields’ (The Shanghai Cooperation Organisation 2011).

There was a concrete reason why Chinese government took a strong line in countering terrorist movements and their violence. The government claimed that the security of its people was threatened by the activities of East Turkistan’s terrorist, separatist and extremist forces. In the Xinjiang Uygur Autonomous Region, ‘260 terrorist incidents’ were reported from 1995 to 2005. In these attacks, 160 civilians died and more than 440 people were injured (*Xinhua General News Service* 05.09.05). The Deputy Director of the Counter-Terrorism Bureau of the Ministry of Public Security of China, Zhao Yongchen, said that the terrorist forces of East Turkistan had strong links with international terrorist groups. They were trained in Central and South Asia (*Xinhua General News Service* 05.09.05).

The above-mentioned situation meant that China saw anti-terrorism as a means to preserve its unity and retain its stability. China’s Ministry of Public Security released to the public a list of terrorist groups existed in the country. At the same time, the Chinese government closely monitored the activities of these terrorist forces. In 2003, based on the criteria for indentifying a terrorist organization and a terrorist, the Chinese government categorised some of East Turkistan groups as terrorist organizations. Among these organizations were the East Turkistan Islamic Movement (ETIM) and the World Uygur Youth Congress (WUYC) (*Xinhua General News Service* 15.12.03). In 2009, China’s police forces and state security agencies crushed five terrorist plots against the civilians in Xinjiang. According to China’s anti-terrorism source, the separatists and terrorists of East Turkistan were the planners of these plots (*Xinhua General News Service* 03.08.09).

5.3 The PRC, the KSA and the Middle East

The following analysis is concerned with the wars that occurred in the Middle East and the surrounding region after September 11th, namely the Afghanistan War and the US invasion of Iraq. The behaviour of China and Saudi Arabia with regard to these wars and the Arab–Israeli conflict will be examined, and points of policy difference and policy consonance will be noted.

5.3.1 The Arab–Israeli Conflict

China's government showed its willingness and desire to engage in the Middle Eastern issue by sending its representatives to Saudi Arabia and several other countries in the region. The Chinese and Saudi governments also made direct contacts through the meetings of high-level officials who discussed and shared similar views and understanding concerning the regional issues.

In May 2001, China reassured Saudi Arabia regarding its commitment to the Middle East peace process and expressed its anxiety on current developments in Palestine. China's Foreign Minister, Tang Jiaxuan, had a meeting with the Vice Minister of Foreign Affairs of Saudi Arabia, Nizar O. Madani, in Beijing. Minister Tang stressed the willingness of China to continue its contribution to the Middle East peace process. This contribution was made within the context of the efforts of the international community. He also shared with Minister Madani his country's deep concern over the eight-month conflict between Israelis and Palestinians: the Second Intifada that began at the end of September 2000. Minister Tang said, 'The Chinese government is very concerned about this, and does not want to see the efforts and achievements over the past decade turn out to be fruitless' (*Xinhua General News Service* 29.05.01).

In November of the same year, the Saudi representative at the UN General Assembly stressed the need for a solution to the Palestinian problem, through the implementation of Security Council resolutions. Shen Guofang, who was the Deputy Permanent Representative of China at the UN, for his part, stressed China's support for the struggle of the Palestinians in securing their 'legitimate national rights' (*Xinhua General News Service* 30.11.01).

In March 2002, the Chinese Foreign Minister gave his feedback on the Middle East peace proposal that had been put forward by the Saudi government, saying that China supported any initiatives that helped the Middle East peace process. In the following month, the President of the Saudi Arabia Consultative Council, Sheikh Mohammed Ibrahim Bin Jubair, who participated in the third annual meeting of the Association of Asian Parliaments for Peace (AAPP) in China, stressed Saudi Arabia's concern over the worsening situation in the Middle East. This was expressed in a meeting with Premier Li Peng. Sheikh Mohammed Ibrahim also conveyed the Kingdom's appreciation for China's support and its 'just stance' on Middle East peace (*Xinhua General News Service* 19.04.02).

China dispatched a diplomatic mission to the region because it wanted to reveal its strong willingness and readiness to become an active player in Israeli-Palestinian conflict resolution. Starting from October 19 to 29, 2003, China's diplomatic envoy to the Middle East, Wang Shejie, visited several countries in the region, including Saudi Arabia. The visits were regarded as part of China's diplomatic effort to support and encourage the Middle East peace process. During these tours, Wang Shejie exchanged ideas with the leaders and officials of Syria, Lebanon, Egypt and Israel. In Riyadh, Wang Shejie met with Crown Prince Abdullah bin Abdul Aziz. He discussed the prevailing situation in the region, and urged Israelis and Palestinian to observe self-restraint, so that the security of both sides could be restored (*Xinhua General News Service* 26.10.03). On a visit to the Kingdom in September 2004, China's Foreign Minister, Li Zhaoxing, again discussed the

current developments within the Palestinian territories with senior Saudi officials (*Xinhua General News Service* 07.09.04).

Chinese and Saudi postures regarding the Lebanon-Israeli conflict in July 2006 were congruous: the two governments pointed up the role of the international community in the conflict. The Chinese Vice Foreign Minister, Dai Bingguo, expressed China's position during a meeting with Prince Bandar bin Abdul Aziz on July 28, 2006. Dai stated: 'China supports the United Nations and the international community in playing an active role in resolving the conflicts, and hopes all the relevant parties can hold negotiations on the basis of relevant UN resolutions, the land-for-peace principle and the Arab peace initiative, so as to realize peace and stability in the Middle East' (*Xinhua General News Service* 28.07.06). The Kingdom shared the same concern and approach. Prince Bandar said, in response, 'Saudi Arabia is also seriously concerned about the current situation...the international community should impel all sides to the conflict to realize a cease-fire immediately, and provide assistance to the Lebanese people' (*Xinhua General News Service* 28.07.06).

Saudi Arabia and China used the international organization in pursuing their policy towards Arab-Israel crisis, and this matched one of the conditions of complex interdependence. The two countries pushed for the effective implementation of UN Security Council Resolution 1701, which required the retreat of Israel from South Lebanon and the dispatch of 15,000 U.N forces into this area (*Xinhua General News Service* 15.08.06). China expressed its willingness to work with Saudi Arabia and Arab countries in implementing Resolution 1701. This message was delivered in a meeting between China's Mideast envoy, Sun Bigan, and the Saudi Foreign Minister, Prince Sa'ud al-Faysal, on August 15, 2006. The Kingdom praised China's efforts in reducing the pressure of this crisis and hoped China would play a large role with the UN forces in Lebanon, and also in the post-war reconstruction of the country.

The two governments both contributed to the reconstruction of Lebanon after the war. As a result of China's concern over the situation in Lebanon, humanitarian aid worth USD 5.04 million was dispatched to Lebanon (*Xinhua General News Service* 18.09.06). The Kingdom also allocated funds and humanitarian aid to Lebanon: USD 1 billion was used in supporting the stability of Lebanon's currency, USD 500 million for the reconstruction, and USD 50 million for humanitarian assistance (*Agence France Presse* 25.07.06).

At the end of 2007, in a meeting between Prince Sa'ud al-Faysal and China's ambassador to Saudi Arabia (Yang Honglin), Prince Sa'ud expressed appreciation for China's 'just and impartial position' on the Middle East issue and hoped that China would play an 'active and constructive role' in resolving this problem (*BBC Monitoring Asia Pacific* 30.12.07).

Like many other countries, China and Saudi Arabia denounced Israeli aggression in Gaza in December 2008. The two countries criticised the Israeli authority for using force in the aggression. Besides criticism, China continued to extend its support to the efforts of Arab states which sought the solution for the crisis. The use of force in this conflict, China contended, not only caused severe casualties among the people, but also destroyed the Middle East peace process which was being promoted by the international community. Thus, China urged Israel and the Palestinian authorities to use dialogue to resolve their differences. China restated its stance of supporting all efforts that brought about a regional peace, in particular those initiatives from Arab countries. The Saudi position was made clear at an emergency meeting in Cairo. Prince Sa'ud Al-Faysal stressed that the disunity among different groups of Palestinians created a difficulty for Arab states in taking effective action against Israeli aggression. He pressed for unity among these groups through a single 'voice and leadership', and stressed that a military campaign did not guarantee peace and security for Israel (*Bahrain News Agency* 31.12.08).

The issue of legitimacy implied a consistency of Chinese and Saudi positions on the Israeli-Palestinian conflict. In January 2010, a joint conference was held between the Saudi Foreign Minister, Prince Sa'ud, and his Chinese counterpart, Minister Yang Jiechi. Prince Sa'ud stressed the necessity of respecting 'the basis of international legitimacy'. He highlighted the willingness of China to uphold this legitimacy in finding solutions to international disputes, and said that the positions of Chinese and Arab countries on the Arab-Israeli conflict were consistent and based on the principle of international legitimacy. This required the return of Arab and Palestinian rights. Minister Yang emphasized China's demand for the creation of 'the state of Palestine' and a 'serious negotiation' in conducting the peace process. China was willing to work with the international community in ensuring the stability of the region (*States News Service* 13.01.10).

The policy behaviour of China and Saudi Arabia towards the Arab-Israeli conflict matched some aspects of the political process of complex interdependence. The goals of the two countries varied according to issue area, but their interests and values could often be pursued within the context of international organisations. The latter were instruments for China and Saudi Arabia to achieve their common interests. Beijing and Riyadh had the shared understanding that the Middle East peace process should be accelerated in order to resolve the conflict. They supported the interests and practices of the United Nations and ensured that their policies towards the conflict were legitimate.

With regard to the Afghanistan War, there was initially little shared understanding. Yet, when the allied forces led by the US launched the war, there came to be a shared understanding between China and Saudi Arabia built around concern for the civilian population of Afghanistan.

The concept of legitimacy figured strongly in Chinese and Saudi attitudes towards the US invasion of Iraq. The shared understanding was articulated in opposition to the US

decision to strike Iraq militarily. In the aftermath of this military strike, the social and international norms of both China and Saudi Arabia motivated them to become involved in the reconstruction of Iraq; they utilized their material resources, offering humanitarian assistance to the victims of the war. The policy behaviour of China and Saudi Arabia towards the war promoted the values of the international community; they called for a non-violent approach and for the UN to play an integral role. Through these policies the two countries earned substantial support from some other countries.

5.3.2 Afghanistan War

Nine days after the events of September 11th, President George W. Bush declared ‘the war on terror’ during a speech to a Joint Session of Congress, stating, ‘our war on terror begins with Al-Qa’ida’ (*Federal News Service* 20.09.01). On October 7, 2001, the US Armed Forces, British Special Force and Northern Alliance launched a military strike against the Taliban regime and Al-Qa’ida forces in Afghanistan (note: Afghanistan War was one of the various struggles that fell under the ‘War on Terror’). This war that claimed thousands of Afghan lives shaped the policy responses of China and Saudi Arabia towards Afghanistan and the allied forces, mainly the US. The Chinese government took a cautious step in commenting on this war, whereas the Saudi government held a firm position opposing this military strike. Nevertheless, the governments in Riyadh and Beijing drew identical responses to the effects of the war on Afghan civilians and to the new government of Afghanistan in the post-Taliban era.

China’s wary stance on the US-led war against Afghanistan could be seen in the statements from its leader and a government official. On the day after the US and its allies invaded Afghanistan, the spokesman for the Ministry of Foreign Affairs commented on this war. He focused on the elements of the war that the military strike should observe, yet said nothing regarding China’s position on this war. He said that the Chinese government hoped the ‘relevant military strikes on terrorism should be targeted at a specific objective, so as to avoid hurting the civilians’ (*Xinhua General News Service*

08.10.01). On October 9, 2001, the spokesman for China's Foreign Ministry, Sun Yuxi, quoted some of the conversation President Jiang Zemin had with President George Bush on October 8, 2001. In one of his statements, the President said, 'China and the United States, both having a major influence on the world, shoulder common responsibility for maintaining peace and stability in the Asia-Pacific region and the world' (*Xinhua General News Service* 09.10.01). Another statement from President Jiang Zemin was that China was willing to work with the United States 'to reinforce exchanges and cooperation, and to make efforts to protect the world's peace, stability and development' (*Xinhua General News Service* 09.10.01). These two statements simply underlined the role of the two countries at the regional and international levels. But no statement indicated China's support for the US in its war in Afghanistan.

Saudi Arabia had a firm and clear position on the war against Afghanistan. Although the Kingdom backed the global anti-terrorism campaign, it contested the US military intervention against this country. Several pieces of evidence reflected the disagreement of Saudi officials with this war. The Saudi government urged the US to identify the actual target of the war, to prevent the use of its military base by the allied forces, and to seek an alternative option to the war. On the issue of the war target, Prince Sa'ud al-Faysal said, 'You must find the targets, you must know who the culprits are...' (*Agence France Presse* 01.10.01). This statement was directed at the US government. Prince Sa'ud also seemed to express his dissatisfaction regarding the reasons for the war against Afghanistan. He said, 'Everybody knows that Afghans have suffered years of war and the last thing they need is another conflict.' He also emphasized that anti-terrorism campaigns required long-term effort, patience and determination (*Agence France Presse* 01.10.01). The Kingdom's adverse reaction to the American decision to invade Afghanistan was further demonstrated. Saudi Ambassador to the US, Prince Bandar, confirmed that there was a request from the US to deploy its forces from the Kingdom's territory in order to launch its war against the Taliban regime. Saudi leaders, however, denied the use of their land for this purpose (*Agence France Presse* 04.10.01). Saudi Defense Minister, Prince Sultan bin Abdul Aziz, moreover, rejected the claim that the Kingdom had permitted Washington to use the facilities at Prince Sultan Air Base.

While the war was in progress, the effect of the war on the civilians was of critical concern to both China and Saudi Arabia. Saudi Arabia wanted the US and its allies to stop the war, because war escalation triggered a devastating effect on Afghan civilians. Saudi Interior Minister, Prince Naif bin Abdul Aziz, said, 'We wish the United States had been able to drive the terrorists out of Afghanistan without having to take the ongoing action because this will involve (killing) innocent people who are not guilty. Not all the Afghan people are responsible for what had happened (in New York and Washington)' (*Agence France Presse* 15.10.01). He also conveyed the Kingdom's displeasure with this war. China, for its part, learned that the result of the war in Afghanistan was disastrous, and it did not want Afghan civilians to continually pay the price of the war. Therefore, China believed that the actions of the international community in countering terrorism must be guided by certain principles. The war should focus on its target, prevent any harm to innocent people, and avoid the spread of war to other states (*Xinhua General News Service* 11.10.01).

In dealing with their citizens who were fighting in this war, China and Saudi Arabia chose to employ different means: the Saudi government decided not to take any actions, whereas the Chinese government was prepared to use legal measure. Prince Naif confirmed that there was nothing the Kingdom could do if there were Saudis who decided to join Osama bin Laden and the Taliban militia in fighting against the US and their allies. He saw these Saudis as harming themselves. In the case of Chinese citizens who fought against the allies, the Chinese government appeared to deal with these people in its own way. When the US claimed that some 'people from Western China' were captured, the Chinese government demanded the return of its citizens to China. As the spokeswoman for China's Foreign Ministry, Zhang Qiyue, said, these people would be judged according to Chinese law. Furthermore, China's Ministry of Foreign Affairs reported that China's Uyghurs were found in Afghanistan. These people were said to have 'close association with international terrorist forces', and supposedly received training in Afghanistan (*Agence France Presse* 11.12.01).

In the post-Taliban era, Saudi Arabia opened a new page in its relations with Afghanistan. Riyadh's responses to the new Afghan leadership were also very positive and pragmatic. It rebuilt the relationship with the latter and offered millions of dollars for the reconstruction of the country. In January 2002, in a meeting with Hamid Karzai in Riyadh, King Fahd bin Abdul Aziz expressed his appreciation of the initiatives taken by the Afghan interim government in stabilizing the country. The King pledged to provide Afghanistan with financial and economic assistance (*BBC Monitoring South Asia* 19.01.02). Seven months later, the Afghanistan embassy was reopened in the Kingdom (*BBC Summary of World Broadcast* 21.08.02). In the following year, the Afghanistan ambassador to Saudi Arabia, Anwar Omar, thanked Saudi Arabia for extending humanitarian assistance to Afghans and for contributing funds for the development of infrastructure in the country. Together with the US and Japan, Saudi Arabia also contributed USD 30 million for the development of a 1,500 km highway that would link three cities: Kabul, Kandahar and Heerat (*Middle East Newsfile* 12.01.03). King Fahd and Crown Prince Abdullah congratulated Hamid Karzai on the establishment of a multi-ethnic government. In a congratulatory message, the two leaders expressed the hope that the new government would re-establish territorial integrity and unity, adopt the Bonn Conference agreement and respect the UN Security Council resolutions. The establishment of the new government was an outcome of the Bonn Conference in 2001. This conference, sponsored by the UN, prescribed a process of reconstructing the Afghan political system. The components of this process were 'the adoption of a new constitution, a presidential election in 2004, and National Assembly elections in 2005' (Central Intelligence Agency 2011).

Like Saudi Arabia, China also nurtured its relationship with the new Afghan authority. It played a significant role in the rebuilding of Afghanistan in the post-Taliban era: it offered support and assistance to the reconstruction of Afghan political, economic and social development. On February 6, 2002, China reopened its embassy in Afghanistan as a sign of its support for the interim government (*Xinhua General News Service*

06.02.02). China provided practical assistance to the 'the Transitional Islamic Government of Afghanistan' by forgiving 'tens of millions of US dollars' of Afghan debt in November of the same year (*Xinhua General News Service* 18.11.02). (No details on the exact amount of the debt were available.) China reaffirmed its stand of supporting the Afghan government, which was formed in 2004. Its State Councillor, Tang Jiaxuan, said, 'we support the Afghan government and people's active efforts in realizing national pacification and reconstruction' (*BBC Monitoring Asia Pacific* 26.04.05).

5.3.3 The US Invasion of Iraq

The following assessment reveals the similarities in the policies of China and Saudi Arabia towards the US-led military strike against Iraq. Before the strike was launched, both nations strongly pressed for a non-violent approach in dealing with the Iraqi crisis. The two countries strengthened their diplomatic efforts to oppose American aspirations for an attack on Iraq, and called for a central role for the UN in this crisis. They were regretful when the allied forces launched their military strikes against Iraq, and extensively engaged in the reconstruction of the country in the post-Saddam era.

Hoping that the war could be prevented, China played an active role, as a permanent member of the UN, and demonstrated its strong commitment to resolve the Iraqi crisis through political and peaceful means. China persistently emphasized the need to pursue an outcome through the UN. In February 2003, China called for the Security Council to resolve the Iraqi crisis and opposed military action: it suggested that this crisis should be resolved within the framework of the UN through political means. China offered its personnel and technological resources to the UN in conducting an arms inspection in Iraq. This initiative, it said, was not intended to challenge the role of the International Atomic Energy Agency (IAEA) or the UN Monitoring, Verification and Inspection Commission (UNMOVIC) in fulfilling their responsibilities in Iraq.

China's position on the Iraqi crisis was consistent and solid. China consolidated its diplomatic efforts, insisting that the parties should prevent the war. It won support from some other permanent member of the UN. Chinese Foreign Minister, Tang Jiaxuan, and Russian Foreign Minister, Igor Ivanov, in a joint communiqué released at the end of February 2003, insisted that the war could and should be prevented, and that weapons inspections should be continued. The two ministers also urged the members of the UN to respect the authority of the Security Council (*Xinhua General News Service* 27.02.03). Minister Tang Jiaxuan met the US Secretary of State, Colin Powell, who was in Beijing, in February 2003. The Minister reiterated his hope that all the parties involved in this crisis would 'do everything possible to avoid the war' (*Xinhua General News Service* 24.02.03). But Colin Powell responded by saying that the US was planning to present 'a new draft resolution to the UN Security Council in the next few days' (*Xinhua General News Service* 24.02.03). Minister Tang Jiaxuan continued to urge the US to resume arms inspection of Iraq, and seek the truth instead of imposing a new UN resolution (*Xinhua General News Service* 24.02.03). As to Iraq, Minister Tang Jiaxuan urged Saddam's regime to cooperate with the UN in an 'active and unconditional' way, and to fulfil the UN Security Council resolution in a 'comprehensive, strict and practical way' (*Xinhua General News Service* 03.03.03).

Like China, Saudi Arabia was also against the US-led war on Iraq and sought a range of alternatives to the war. The 2003 US-led military actions against Iraq witnessed the Kingdom's disinclination to join the allied forces. Of all the reasons, a feeling of brotherhood and the effects of the war could be the most compelling factors for the Kingdom's opposition. Crown Prince Abdullah stressed the importance was placed on protecting Iraq since 'Iraq is an integral part of the Arab and Islamic world'. The Crown Prince also delivered an assurance of Riyadh's dedication to safeguard the unity and national integrity of Iraq (*Agence France Presse* 13.01.03). The Crown Prince said he believed that the US-led war would cause 'a civil war, break up the country, promote terrorism and consequently destabilize the oil-rich region' (*Agence France Presse* 06.02.03).

Against the above background, Saudi Arabia called on Iraq to bolster its commitment to the UN, sought the right of Arab countries to prevent the war, and proposed an alternative solution that the UN should observe in this crisis. The cabinet of the Kingdom insisted that Iraq should fully cooperate with the UN arms inspectors. It also suggested that Arab countries should have a chance to solve this crisis via peaceful means. Ample time for dialogue and diplomacy should be also given to these countries. The Kingdom, moreover, outlined a new strategy in which the UN Security Council should give amnesty to the members of Saddam's regime. Granting this amnesty would help gain Iraq's cooperation with the plans of the Security Council. This was known as the last option by Saudi Arabia in its effort to prevent war.

The Saudi leadership clearly stressed that Saudi Arabia would not join the US-led invasion against Iraq. On March 19, 2001, Crown Prince Abdullah, who read a statement of King Fahd on state television saying, 'the Kingdom will not participate in any way in the war'. The Crown Prince further stated, 'we strongly reject any blow to Iraq's unity, independence and security, and oppose the country's military occupation'. Another statement from the Crown Prince, which also stressed the Kingdom's strongest opposition to this war, was, 'Saudi military forces will not enter Iraqi territory' (*The New York Times* 19.03.03).

When the war broke out, Saudi Arabia denounced the US military strike against Iraq and called for referring the conflict to the UN. The Saudi Foreign Minister, Prince Sa'ud al-Faysal, delivered Saudi Arabia's 'great concern and deep regret' over the US-led military intervention. Although Washington and Riyadh were known as close allies, the Kingdom strongly criticized the US for the outbreak of the war. Prince Sa'ud said that the Kingdom hoped for an immediate halt to the attacks on Iraq, and urged the use of peaceful means (*BBC Summary of World Broadcast* 20.03.03). A few days later, Saudi Arabia sent peace proposals to the US and Iraq, calling on the warring parties to stop the war. Prince Sa'ud said, 'we made the proposal and we are waiting for a possible response'. The prince,

however, refused to elaborate on the content of the proposals (*The New York Times* 26.03.03). The prince also urged the US and Iraq to subject the conflict to the UN, and asked for a second chance for diplomacy (*The New York Times* 26.03.03).

China had a similar approach to Saudi Arabia in contending with the issue of war. It sought to stop the war, doing so through the statements by China's Foreign Ministry and gave direct communications with the US at a high level. Through its Foreign Ministry, China declared its preferences in precise terms: 'we strongly urge the countries concerned to immediately halt their military actions...the strike has violated the Charter of the United Nations and basic principles of international law' (*Xinhua General News Service* 21.03.03). In a phone conversation with Colin Powell, China's State Councillor, Tang Jiaxuan, said that 'the Chinese government has strongly urged an end to military actions against Iraq so as to avoid hurting innocent people' (*Xinhua General News Service* 20.03.03). He pressed 'for a return to the right path of seeking a political solution to the Iraq issue' (*Xinhua General News Service* 20.03.03).

Demonstrating their concern for the innocents affected by the war, China and Saudi Arabia extended their humanitarian assistance to the victims. The two countries shared the same concern regarding the war casualties in Iraq. The China Red Cross Society (CRCS) donated USD 50,000 to the International Federation of Red Cross and Red Crescent Societies, and another USD 50,000 to the International Committee of the Red Cross (*Xinhua General News Service* 29.03.03). Up to the end of March 2003, it was reported that Saudi Arabia was ready with 'a comprehensive humanitarian assistance' to Iraqis. This aid included 'foodstuffs, medicine and shelter' (*Mena Business Reports* 30.03.03). Saudi Arabia also provided medical services to the war victims by operating its field hospital in Iraq (*BBC Summary of World Broadcast* 28.10.03).

In the post-war period, China and Saudi Arabia developed an identical view on the future of Iraq. High-level officials in both countries stressed the importance of the UN in the

rebuilding of the war-torn country. The Chinese and Saudi Foreign Ministers, Li Zhaoxing and Prince Sa'ud al-Faysal, held a phone conversation on Iraqi issues on May 11, 2003. Prince Sa'ud advocated for the leading role of the UN in restoring the security and stability in Iraq. Through these means, he believed, Iraq would be able to reinstate its sovereignty and territorial integrity. For Minister Li Zhaoxing, the handling of the issues of post-war Iraq should be based on 'the spirit of the UN Charter' (*Xinhua General News Service* 12.05.03).

5.4 The PRC and the KSA

In the first decade of the 21st century, China and Saudi Arabia underwent an unprecedented development in their relationship. To analyse this development with clarity, this key area will be divided into two time frames: 2001 to 2005 and 2006 to 2010. For each period, the dynamic nature of the political and economic relations between the two countries will be examined. Emphasis will be given to hydrocarbon and non-hydrocarbon trade, mutual investment and construction activities, which served as the main components of the Sino–Saudi economic relationship. The idea of examining two distinct time-periods is to better discuss whether the visits between King Abdullah and President Hu Jintao in 2006 had a substantial impact on the landscape of these bilateral relations.

With regard to the adoptability of the constructivists' view of Sino-Saudi relations, it is of note that the Association of the Asian Parliament for Peace (AAPP) had already developed shared interests and practices among its members and later proposed the development of parliamentary links between China and some Arab countries. In 2003, the National People's Congress (NPC) and the Saudi Consultative Council (SCC) initiated official contact which was crucial to the enrichment of the bilateral relations between the two countries. These efforts reflect the constructivists' perspective that the shared interests and practices of the institutions have effects on the behaviour of countries.

Such practices are inevitably influenced by the national interests of the countries involved. This was evident in the case of Saudi business institutions. SAGIA pursued the interests of the Kingdom by attracting foreign investments, and SABIC advanced the Kingdom's national interest of regulating and strengthening the Sino-Saudi non-oil trade. This trend emerged during both periods: 2001–2005 and 2006–2010.

5.4.1 Sino–Saudi Relations from 2001–2005

This section attempts to provide an in-depth analysis of the development of Sino–Saudi political and economic relations in the first five years of the 21st century, and provides a comprehensive assessment of the trade, investment and construction activities between the two countries. It begins with an assessment of the link between the two National Parliaments. Then it analyzes how high-ranking officials from both countries continuously shaped their bilateral trade. The total volume of trade between China and Saudi Arabia was on the rise, resulting mainly from the growth of Saudi oil exports to China. The volume of mutual investment was low. However, efforts were made to overcome the latter problem. The analysis of the mutual investment concentrates on joint ventures in the energy and non-energy sectors, and the assessment of the construction activities focuses on the growing participation of the Chinese companies in the construction sector of Saudi Arabia.

Complex interdependence that Keohane and Nye have introduced well explains the Sino-Saudi bilateral relations of this period. The links between the two National Parliaments indicate another variation of the multiple channels. The multiple channels were also emphasised by the high-levels officials who wanted to see the diverse nature of transnational relations; they called for an increasing involvement of the business circles in the Sino-Saudi economic relations and established new institutions that facilitated the economic activities. The role of military force was deeply underplayed in the bilateral relations because the Chinese and Saudi governments concentrated on the efforts of

improving the level of mutual investment, both in hydrocarbon and non-hydrocarbon sectors.

5.4.1.1 The National Parliaments and Sino–Saudi Relations

The data on the previous period (1990–2000) did not reveal any contact between the National People’s Congress (NPC) and the Saudi Consultative Council (SCC). The development of links between these two national bodies can be traced through the visits and discussions between the members of the two parliaments between 2003 and 2005.

In 2002, at an official meeting attended by all members of the Association of the Asian Parliament for Peace (AAPP), there was a proposal for a particular framework in order to organise parliamentary links between China and the Arab states. The meeting in April 2002, brought together representatives from both the NPC and the SCC, and was held in Beijing and Chongqing. Premier Li Peng, the Chairman of the Standing Committee of the NPC, encouraged ‘cooperation and exchanges between China and the four Arab countries represented (Saudi Arabia, Kuwait, Iran and Iraq) within the framework of the AAPP’ (*Xinhua General News Service* 19.04.02). Sheikh Mohammed Ibrahim bin Jubair, President of the Saudi Arabian Consultative Council, was the Kingdom’s representative at this meeting. The Saudi representative stated that Saudi relations with China were progressing smoothly (*Xinhua General News Service* 19.04.02).

Formal contact between the SCC and the NPC began in 2003. A delegation of the Chinese Communist Party (CCP) visited Saudi Arabia in July of that year. This visit was at the invitation of the SCC (*Xinhua General News Service* 26.07.03). In the following month, the Chairman of the SCC, Saleh bin Abdullah bin Humeid, had a discussion with the Head of the Administration of Foreign Relations at the Central Committee of the CCP, Ma Wenu, in Riyadh. Ma Wenu emphasised the role of the SCC in the development of Sino–Saudi relations, while Saleh bin Abdullah bin Humeid assessed the

scope for cooperation between the two parliaments. No explanation was given on the specific areas for this cooperation (*Saudi Press Agency* 06.08.03).

There was, then, considerable stress placed, after 2003, on ‘intensifying the cooperation between the SCC and the NPC’. The conception was that the SCC–NPC link was one of the core components that enriched state-to-state relations. During a meeting with a delegation of the NPC (Foreign Affairs Committee) in Riyadh in November 2005, King Abdullah bin Abdul Aziz voiced his hope that the two parliaments would strengthen their ‘friendly and cooperative relations’ (*BBC Monitoring Asia Pacific* 21.11.05). The delegation, led by Jiang Enzhu, also had discussions with Saleh bin Abdullah bin Humeid, who was Chairman of the SCC. In this meeting, Saleh stressed that the SCC considered that the increasing contact and exchange between the two parliaments would encourage the development of Sino–Saudi relations and would aid cooperation in various sectors (*Xinhua General News Service* 21.11.05).

5.4.1.2 Re-emphasizing the Private Sector in the Bilateral Trade Engagement

The advancement of Sino–Saudi trade relations, at this time, required strong engagement between the business communities of the two countries. In the period of 2001–2005, high-level officials continued to encourage Saudi and Chinese businessmen to foster bilateral trade engagements. New institutions were set up, aiming to facilitate the activities between these two business groups. These efforts were not new, as the two governments had been calling for the participation of these groups since the 1990s, but the initiative was given new emphasis. In 2001, Wu Yi, a member of the Political Bureau of the CPC Central Committee, confirmed that the two countries had recently identified ways of encouraging their businessmen to have regular visits and expand their investments. In 2002, Wu Yi had a dialogue with Chinese and Saudi business groups. In this meeting, she stressed that she was trying to increase exports of made-in-China mechanical and electronic products to the Kingdom, and to boost the volume of Saudi non-oil products exported to China. She also called for a minimization of Saudi trade

barriers and a liberalization of trade policies (*Middle East Newsfile* 04.04.02). Meanwhile, Ibrahim al-Assaf, who also had a meeting with Wu Yi, pointed to a number of measures to upgrade this economic cooperation. He stressed the need for Saudi businessmen to market their products, such as electronic and petrochemical products in China, and for China to support the Kingdom's accession to the WTO (*Xinhua General News Service* 01.04.02).

In line with the above efforts, the government established new institutions in 2003. These institutions were deemed crucial and practical as they helped businessmen to facilitate and expand their activities beyond their borders. With these institutions in place, the two governments would easily gain feedback from the business groups involved, particularly relating to the implementation of trade policies. On January 17, 2003 the China–Saudi Arabia Friendship Association and the Council of the Saudi Chambers of Commerce and Industry (CSCCI) established a non-governmental joint commercial committee. The members consisted of Saudi and Chinese businessmen. Among the activities that this committee would address were business forums and exhibitions. The committee was also asked to give its insights to the government regarding accommodating the Sino–Saudi trade dealings (*Xinhua General News Service* 17.01.03). In the same year, a Saudi Consulate-General was set up in Hong Kong. What made the Saudi government choose this location was that, as the Saudi Consul-General said, ‘Hong Kong is the gateway to China.’

5.4.1.3 The Surge of Sino–Saudi Oil and non-Oil Trade

Growing exports and imports of oil and non-oil products continued to fuel the growth of bilateral trade relations. The total volume of trade in the 1990s had stayed well below USD 1 billion, whereas the total volume of trade in the 2000s soared above USD 2 billion. In the period from 2001 to 2005, the ‘Textiles and their Raw Materials’ category dominated the Chinese exports to Saudi Arabia and the ‘Minerals’ category led Chinese imports from the Kingdom.

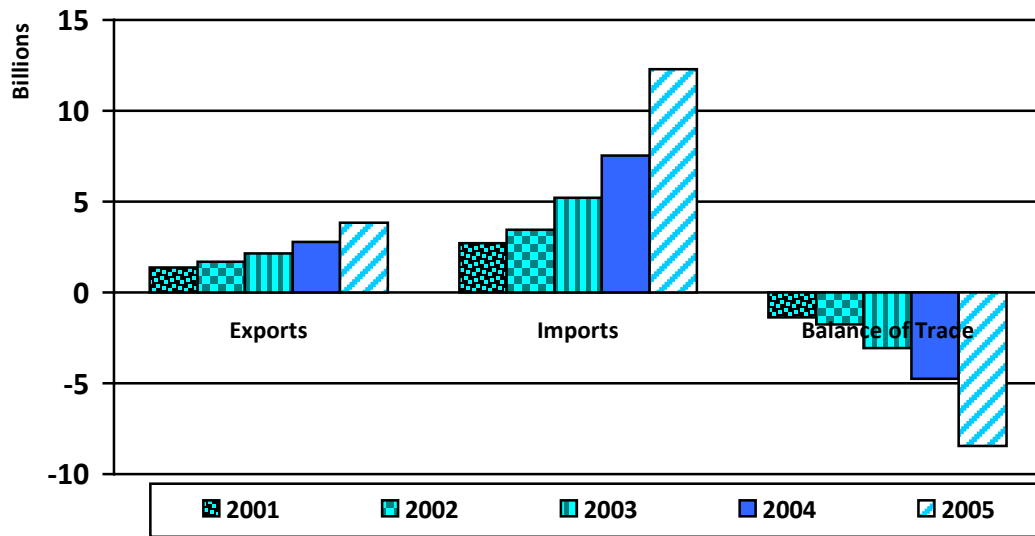
The data in Table 5.1 and Graph 5.1 show that Sino–Saudi exports and imports (oil and non-oil trade) between 2001 and 2005 grew at a fast rate. The total trade of exports and imports between these two countries expanded by 295.6 percent from USD 4.07 billion in 2001 to USD 16.1 billion in 2005. Also, in this period, China’s exports to Saudi Arabia increased by 192 percent, whereas its imports increased by 351.9 percent. This direction of trade, however, highlighted China’s trade imbalance with Saudi Arabia. China experienced a constant trade deficit because its imports from Saudi Arabia outpaced its exports. This negative balance of trade reached a total of USD 19.38 billion, having risen by 519 percent over this five-year period. The largest trade deficit was recorded in 2005 at nearly USD 8.5 billion. The main cause of this trend was, clearly, the escalating Chinese demand for oil.

Table 5.1: China’s Exports to and Imports from Saudi Arabia, 2001–2005 (US Dollars)

	Exports	Imports	Balance of Trade	Total Volume of Trade
2001	1,356,430,000	2,723,140,000	-1,366,710,000	4,079,570,000
2002	1,672,740,000	3,436,490,000	-1,763,750,000	5,109,230,000
2003	2,147,160,000	5,194,680,000	-3,047,520,000	7,341,840,000
2004	2,775,590,000	7,524,070,000	-4,748,480,000	10,299,660,000
2005	3,824,840,000	12,286,400,000	-8,461,560,000	16,111,240,000

Source: United Nations Statistics Division

Graph 5.1: China's Exports to and Imports from Saudi Arabia, 2001–2005 (US Dollars)



Source: United Nations Statistics Division

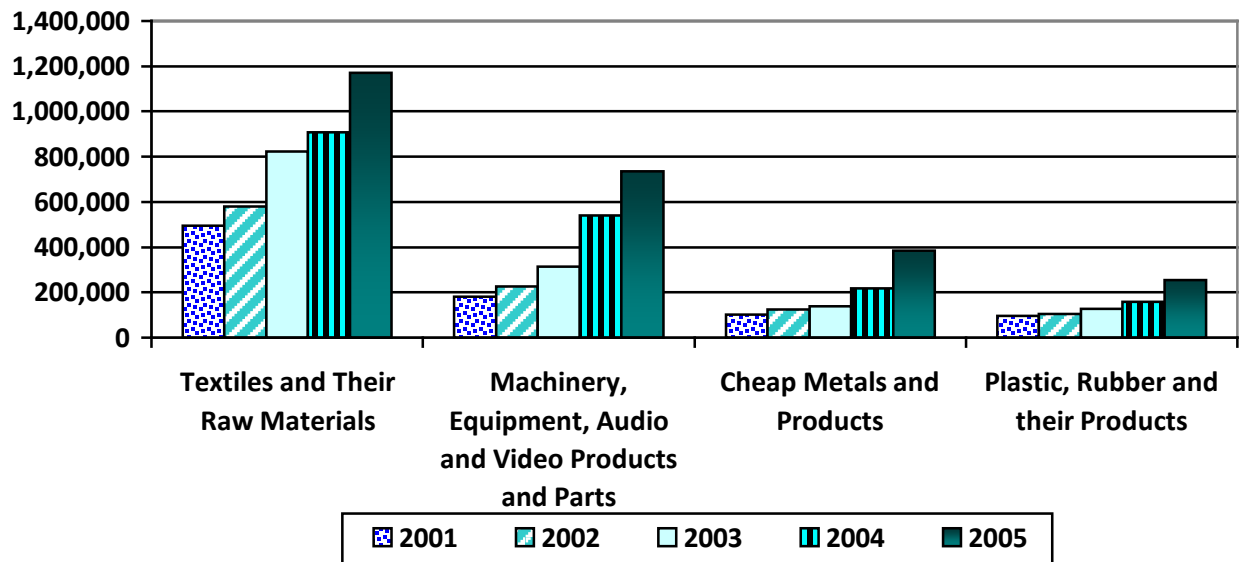
The largest category of China's exports to Saudi Arabia, as mentioned above, was 'Textiles and their Raw Materials' (the raw materials of textiles are wool, cotton, silk and synthetic fibres). Between 2001 and 2005, the exports of this category increased by 136 percent (Table 5.2 and Graph 5.2). The sector made up 34 percent of China's total exports to the Kingdom. The 'Machinery, Equipment, Audio and Video Products and Parts' category and the 'Cheap Metals and Products' category ranked, respectively, second and third in the Chinese exports to the Kingdom. After that came the 'Plastics, Rubber and Their Products' category. The second, third and fourth major exports accounted for less than 18 percent of the total exported goods (Chart 5.2).

Table 5.2: China's Major Exports to Saudi Arabia, 2001–2005 (1,000 US Dollars)

	Total Exports	Textiles and Their Raw Materials	Machinery, Equipment, Audio and Video Products and Parts	Cheap Metals and Products	Plastics, Rubber and Their Products
2001	1,354,111	494,227	179,953	102,032	95,070
2002	1,671,729	578,647	225,129	123,735	104,520
2003	2,147,155	821,858	315,136	137,776	127,672
2004	2,775,589	909,021	540,578	217,274	159,651
2005	3,824,673	1,169,984	735,772	385,790	253,862
Total	11,773,257	3,973,737	1,996,568	966,607	740,775

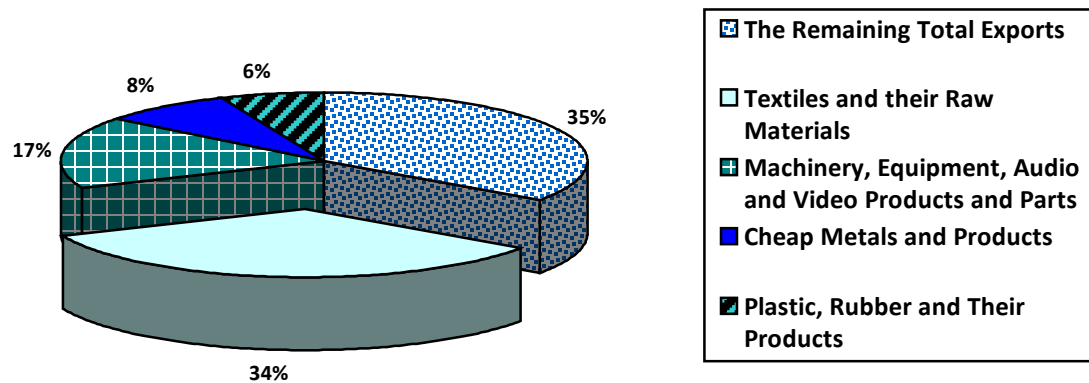
Source: Xinhua Economic News Service

Graph 5.2: China's Major Exports to Saudi Arabia, 2001–2005 (1,000 US Dollars)



Source: Xinhua Economic News Service

Chart 5.2: China's Major Exports to Saudi Arabia, 2001–2005



Source: Xinhua Economic News Service

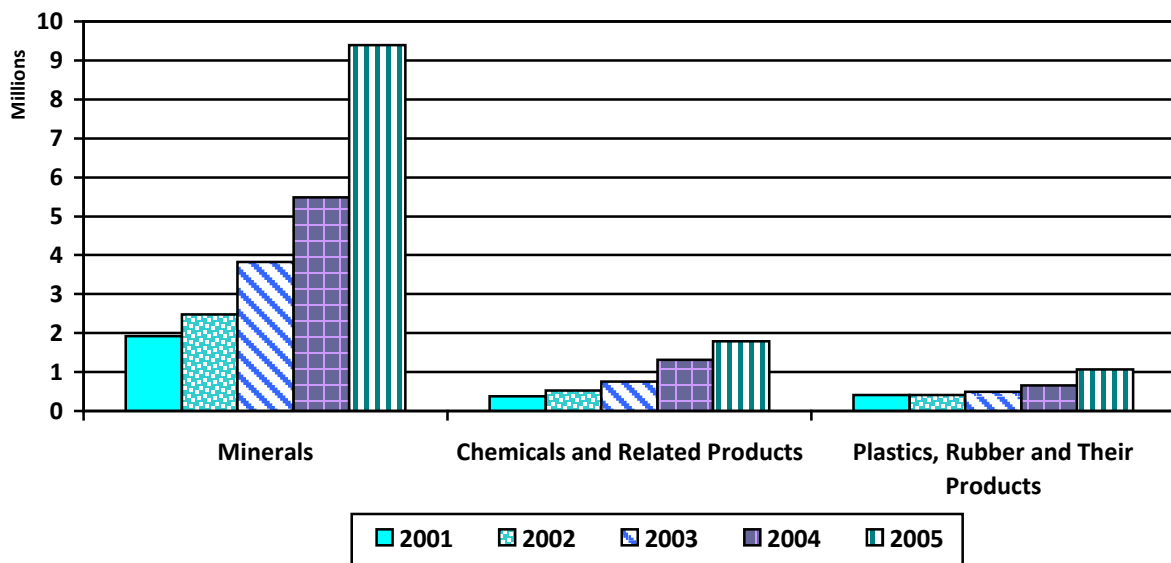
China's major imports from Saudi Arabia over the period were categorised in three sectors, 'Minerals', 'Chemicals and Related Products', and 'Plastics, Rubber and Their Products' (Table 5.3). The 'Minerals' sector, dominated by crude oil, was the biggest part of this import category. After 2001, the sector expanded at a fast pace and increased by 389 percent over the period to 2005. The performance of the remaining two sectors was also very significant. The 'Chemical and Related Products' sector, mostly composed of petrochemicals and fertilizers contributed 15 percent, while 'Plastics, Rubber and Their Products' accounted for 10 percent of the total imports to China.

Table 5.3: China's Major Imports from Saudi Arabia, 2001–2005 (1,000 USD)

	Total Imports	Minerals	Chemicals and Related Products	Plastics, Rubber and Their Products
2001	2,721,079	1,919,124	385,394	408,223
2002	3,435,065	2,473,042	525,437	411,489
2003	5,194,678	3,827,110	758,919	486,532
2004	7,524,075	5,489,868	1,308,759	656,535
2005	12,245,716	9,386,869	1,781,788	1,061,957
Total	31,120,613	23,096,013	4,760,297	3,024,736

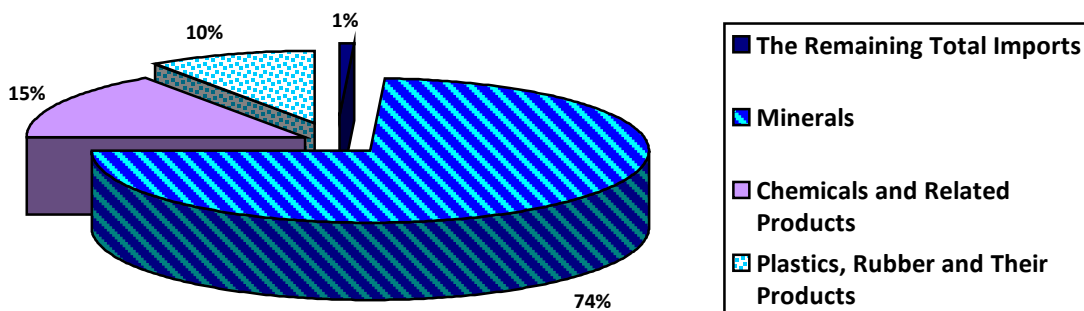
Source: Xinhua Economic News Service

Graph 5.3: China's Major Imports from Saudi Arabia, 2001–2005 (1,000 USD)



Source: Xinhua Economic News Service

Chart 5.3: China's Major Imports Relative to Total Imports from Saudi Arabia, 2001–2005



Source: Xinhua Economic News Service

Oil trade

The Sino-Saudi oil trade dealings, as noted, increased substantially in the first five years of the 2000s. This upward trend was driven by a number of developments that occurred in the oil trade link between the two countries. The national oil companies and government officials of these countries both played in shaping the dynamic of this link.

The state oil companies were, for their part, were seeking opportunities to expand the oil business between the two countries. By concluding agreements, Saudi oil firms would be able to have greater market access to China's oil market. For the Chinese oil companies, such agreements would help them satisfy the domestic demand for oil. In April 2001, Saudi ARAMCO and Chinese International Petroleum and Chemicals Co. reached an agreement for an extension of Saudi oil purchases, and also agreed on an increase in quantities traded. The extension period for this purchasing ability and the volume of the exports, however, were not publicly stated. The Chinese company that made the purchase then distributed this commodity to other oil companies in China (*Middle East Newsfile* 18.04.01).

There had always been regular meetings between the Chinese and Saudi officials about the future of oil cooperation between the two countries, but these now intensified. In the meetings, these officials continued to express their commitment to the bilateral oil links and re-iterated their hopes of advancing oil cooperation. The visits of Minister Ali al-Naimi to Beijing in 2004 and 2005 highlighted the strong commitment between the two countries to developing future cooperation in the energy sector. The 2004 meetings with China's Minister of Commerce, Bo Xilai, and China's Vice Premier, Zeng Peiyan, were concerned with the advancement of oil cooperation between the two nations. The same agenda was also discussed during the April 2005 meetings. Minister Al-Naimi visited Beijing immediately after attending OPEC's Ministerial Conference in Vienna. His visits to China in this period were more frequent than in the previous decade.

Table 5.4 and Chart 5.4 present the volume of Chinese imports of 'Petroleum Oil, Oils from Bituminous Minerals and Crude' from the rest of the world and from Saudi Arabia. Between 2001 and 2005, China imported a total of 470 million tons of these commodities. From this total import figure, 74.6 million tons came from Saudi Arabia. This signified that almost 15.7 percent of China's total oil imports were supplied by Saudi Arabia. The volume of China's oil imports from Saudi Arabia (2001–2005) was seven times higher

than in the whole of the previous decade. Only 11.8 million tons of Saudi oil was exported to China from 1991–2000.

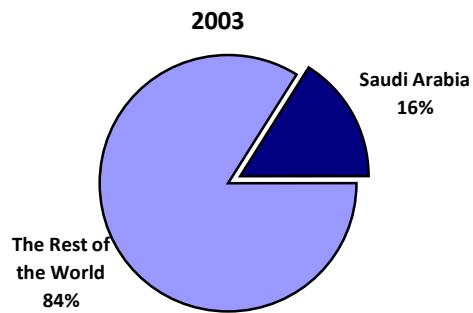
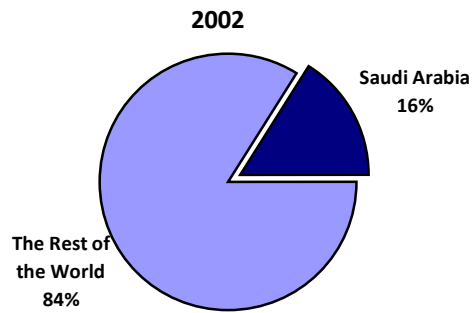
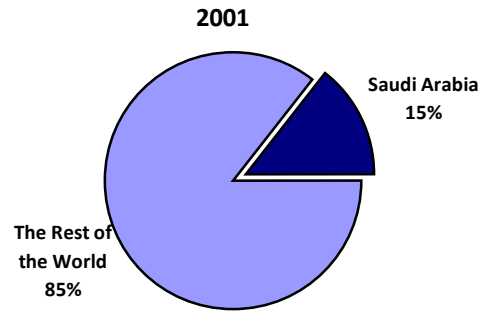
China's petroleum and crude oil imports from the Kingdom rose by 154 percent over these years, from 8.7 million tons in 2001, to 22.1 million in 2005. The rate of increase varied, from the lowest at 14.7 percent in 2004 to the highest at 52.6 percent in 2001. This upward trend shows the growing importance of Sino–Saudi relations in the energy sector, as well as a gradual increase in the dependency of China on Saudi oil.

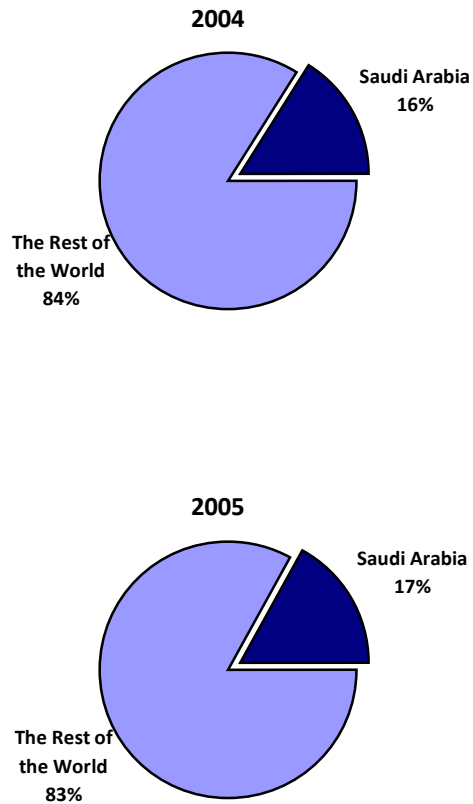
Table 5.4: China's Imports of Petroleum Oil, Oils from Bituminous Minerals and Crude from the World and Saudi Arabia, 2001–2005 (Tonnes)

	China's Imports of Petroleum Oil, Oils from Bituminous Minerals and Crude from the World	China's Imports of Petroleum Oil, Oils from Bituminous Minerals and Crude from Saudi Arabia	% Change	Percentage of China's Imports of Petroleum Oil, Oils from Bituminous Minerals and Crude Coming from Saudi Arabia
2001	60,255,351.35	8,778,376.19	52.6%	14.56%
2002	69,406,409.07	11,390,760.96	29.9%	16.41%
2003	91,020,114.99	15,080,108.03	32.7%	16.56%
2004	122,809,603.32	17,243,549.69	14.7%	14.04%
2005	126,817,381.54	22,178,924.54	28.5%	17.48%
Total	470,308,860.20	74,671,719.41	-	15.87%

Source: United Nations Statistics Division

Chart 5.4: China's Imports of Petroleum Oil, Oils from Bituminous Minerals and Crude from the World and Saudi Arabia, 2001–2005





Source: United Nations Statistics Division

Table 5.5 and Chart 5.5 highlight the important position of Saudi Arabia relative to other major oil exporters to China. Between 2001 and 2005, the volume of China's total oil imports from Saudi Arabia was 33.5 percent (74.3 million tonnes), from Iran it was 27.5 percent (61.1 million tonnes), from Angola 23.9 percent (53.1 million tonnes) and from Russia 15 percent (33.3 million tonnes).

Saudi Arabian ranking as a major exporter of oil to China changed significantly from 1999 to 2002. From third place in 1999 and 2000, Saudi Arabia climbed to China's second-largest oil supplier in 2001 and later became China's largest source of imported oil by 2002. Also, in comparison to Iran, Angola and Russia, the volume of Saudi oil exported to China was remarkable. This volume represented 30 to 35 percent of China's total oil imports (Chart 5.5).

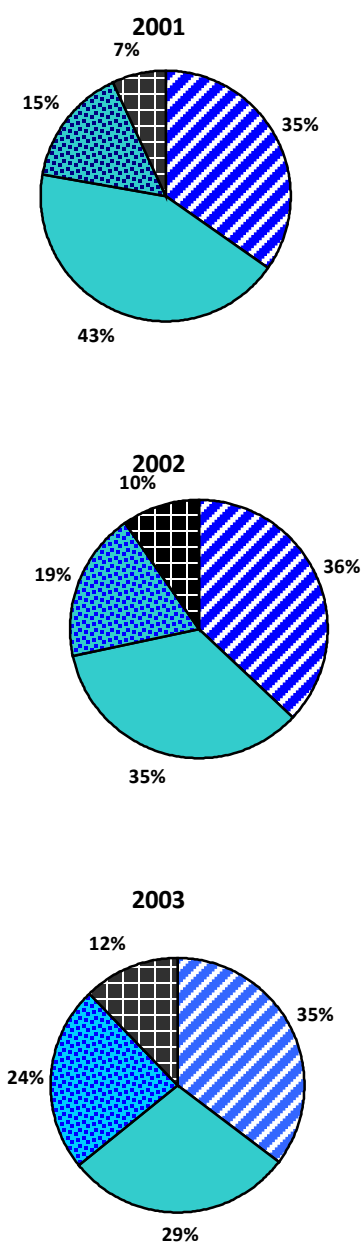
In terms of percentage, there was also a drastic increase in Russian oil imported into China. China's oil imports from Russia rose by 647 percent, whereas the same imports from Angola, Saudi Arabia and Iran grew by 370 percent, 154 percent and 31.1 percent, respectively. However, China's reliance on Russian oil was less significant than its reliance on Saudi oil, because the volume of oil imported from Russia remained much smaller.

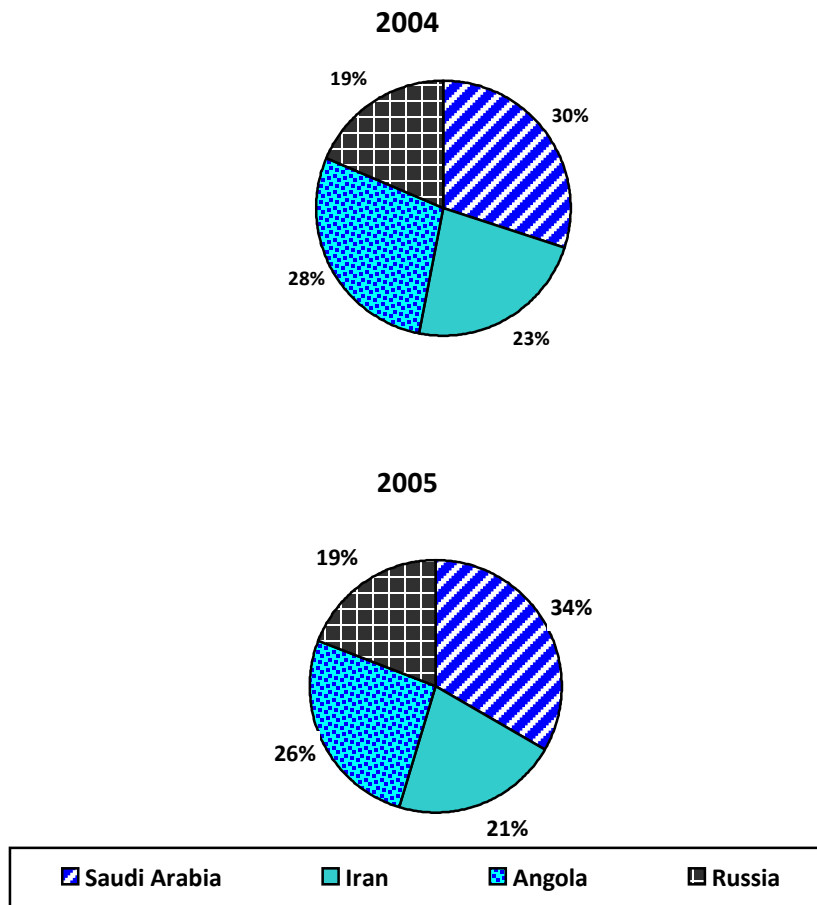
Table 5.5: China's Oil Imports from Major Suppliers, 2001–2005 (million tonnes)

	Saudi Arabia	Iran	Angola	Russia
2001	8.7	10.8	3.7	1.7
2002	11.3	10.6	5.7	3.0
2003	15.0	12.3	10.1	5.2
2004	17.2	13.2	16.2	10.7
2005	22.1	14.2	17.4	12.7
Total	74.3	61.1	53.1	33.3

Source: United Nations Statistics Division

Chart 5.5: China’s Oil Imports from Major Suppliers, 2001–2005





Source: United Nations Statistics Division

It is also worth looking at the oil relationship from the perception of its significance in overall Saudi oil exports. Saudi petroleum and crude oil exports to China saw a huge increase from 13 million tons in 2003 to 22.4 million tons in 2005 – an increase of 72.3 percent. The total Saudi petroleum and crude oil exported to the world was 324 million tons in 2003, of which 4 percent was sold to China. Two years later, this percentage was increased by 1.96 percent (Table 5.6). It should be noted that this data was produced by Saudi Arabia for the UN Commodity Trade Statistic Database. Some of this data, however, was not provided in this database.

Table 5.6: Saudi Exports of Petroleum Oil, Oils from Bituminous Minerals and Crude to the World and China, 2001–2005 (Tonnes)

	Saudi Exports of Petroleum Oil, Oils from Bituminous Minerals and Crude to the World	Saudi Exports of Petroleum Oil, Oils from Bituminous Minerals and Crude to China	Percentage of Saudi Exports of Petroleum Oil, Oils from Bituminous Minerals and Crude to China Relative to the World
2001	N/A	N/A	N/A
2002	305,086,933.67	N/A	N/A
2003	324,891,044.96	13,086,325.84	4.02 %
2004	365,559,912.32	N/A	N/A
2005	375,505,762.91	22,483,789.59	5.98 %

Source: United Nations Statistics Division

The data from 2001, 2002 and some from 2003 were not released by Saudi authorities. Therefore, this analysis begins its focus on the data from 2004 and 2005. In these two years (2004–2005), the US was the most important oil market for Saudi Arabia, as compared to the Japanese and Chinese markets. An average of 21 percent of Saudi oil exports were sold to the US, whereas, the average percentage for the same exports to Japan and China was 14.4 and 4.8, respectively. Comparatively, therefore, China was not a major destination for Saudi oil (Table 5.7 and Chart 5.7).

In 2005, a new trend appeared in the percentage of Saudi oil exported to these three markets. Exports to the US dropped slightly by 6.7 percent. In contrast, exports to China

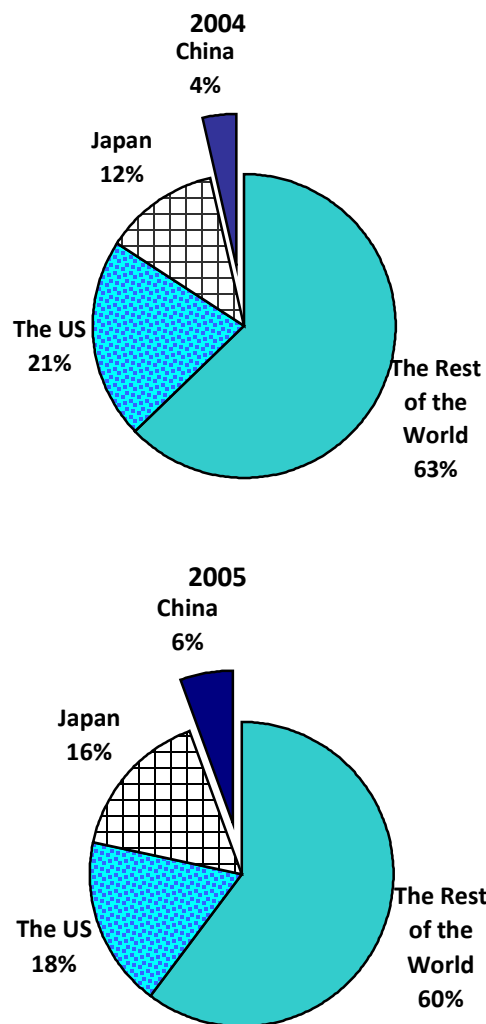
and Japan grew significantly, at 71.8 percent and 39 percent, respectively. Although this trend highlighted an expanding market share for Saudi oil in China and Japan, the largest oil market for Saudi Arabia was still the US.

Table 5.7: Saudi Exports of Petroleum Oil, Oils from Bituminous Minerals and Crude to the United States, Japan and China, 2001–2005 (Million Tonnes)

	Saudi Exports of Petroleum Oil, Oils from Bituminous Minerals and Crude to the World	Saudi Exports of Petroleum Oil, Oils from Bituminous Minerals and Crude to the United States	Saudi Exports of Petroleum Oil, Oils from Bituminous Minerals and Crude to Japan	Saudi Exports of Petroleum Oil, Oils from Bituminous Minerals and Crude to China
2001	N/A	N/A	N/A	N/A
2002	305.1	N/A	N/A	N/A
2003	324.9	74.1	52.5	N/A
2004	365.6	77.5	45.1	13.1
2005	375.6	72.3	62.7	22.5

Source: United Nations Statistics Division

Chart 5.7: Saudi Exports of Petroleum Oil, Oils from Bituminous Minerals and Crude to the United States, Japan and China, 2004–2005



Source: United Nations Statistics Division

Non-Oil Trade (Saudi Exports)

This subtopic will primarily focus on the petrochemical trade between China and Saudi Arabia. For this trade, SABIC was the main player in promoting its products to Chinese customers. SABIC was aggressively involved in the promotion and expansion of its

petrochemical business in China. It pursued its business strategies of building its future in China's market.

SABIC continued to use exhibitions as a marketing strategy in promoting its products to its clients. It acquired more customers by strengthening its presence in exhibitions. In 2005, for instance, Vice Chairman of SABIC, Mohamed H. al-Mady, stated that SABIC had increased its presence at ChinaPlas, which involved a series of International Exhibitions on the Plastic and Rubber Industries (ChinaPlas2005) held in China. The reason why SABIC enlarged its participation in ChinaPlas, as Al-Mady said, was that nearly 50 percent of SABIC's world production was channelled to the greater Asian region (*Middle East Company News Wire* 25.06.05).

SABIC was very efficient in dealing with its customers. It made itself aware of the needs of its clients so that it knew how to preserve its economic interest in China's petrochemical market. SABIC improved its service in China by cutting through a communication barrier with its Chinese customers. In 2005, SABIC launched a Chinese-version website, aiming to provide an excellent service to Chinese customers and business partners. Two years before, SABIC also published 'a quarterly Chinese newsletter'. The General Manager for SABIC Asia Pacific, Al-Benyman, pointed out the reasoning behind the company's strategy for improving its services to Chinese customers: 'China is one of SABIC's most important countries in terms of sales. Strengthening SABIC's presence in China is crucial given the importance of the Chinese market for SABIC. We are constantly looking for ways to better serve our Chinese customers and business partners, and establish stronger ties' (*Middle East Company News Wire* 23.06.05).

Table 5.8 and Graphs 5.8 (a) and (b) depict Chinese imports of 'Polymers of Propylene and Other Olefins in Primary Forms', and 'Polymers of Ethylene and Other Olefins in the Primary Forms' from the world and Saudi Arabia. China purchased more polymers of

ethylene than polymers of propylene from the Kingdom. Saudi polymers of propylene accounted for a small share of China's overall imports for polymers of propylene – only 3.7 percent. Saudi polymers of ethylene, on the other hand, made up 13.34 percent of China's total imports of polymers of ethylene. This highlights the possibility of Saudi Arabia becoming the major supplier of polymers of ethylene to China.

The end products reveal the difference in significance or function of these two polymers. Polymers of propylene or polypropylene (PP) make up 'basic plastic'. It is formed by combining the molecules of propylene. Examples of the products produced from PP are 'synthetic fibers, automotive parts, luggage, safety helmets and home construction' (Conocophillips 2010). Polymers of ethylene or polyethylene (PE) are used to produce plastic that uses ethylene as its component. This PE is used in the production of 'trash bags, milk jugs, shampoo bottles, water coolers, and cable coating' (Conocophillips 2010).

Table 5.8: China's Petrochemical Imports from Saudi Arabia, 2001–2005 (tonnes)

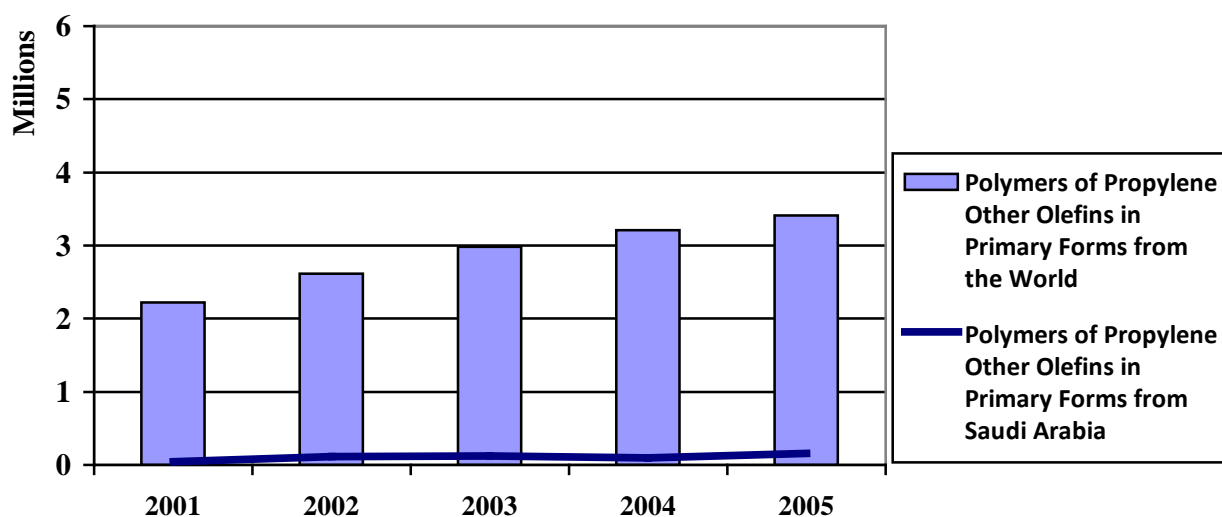
	Polymers of Propylene and Other Olefins in Primary Forms from the World	Polymers of Propylene and Other Olefins in Primary Forms from Saudi Arabia	Polymers of Ethylene in Primary Forms from the World	Polymers of Ethylene in Primary Forms from Saudi Arabia
2001	2,222,378.59	47,834.03	5,711,611.71	580,771.57
2002	2,613,309.39	116,899.30	5,266,512.10	572,001.30
2003	2,981,529.33	125,212.78	5,050,114.79	617,181.73
2004	3,213,571.62	92,077.74	4,914,458.57	685,342.75

2005	3,413,344.79	159,069.15	4,382,832.96	925,553.28
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Total	14,444,133.72	541,093.00	25,325,530.13	3,380,850.63
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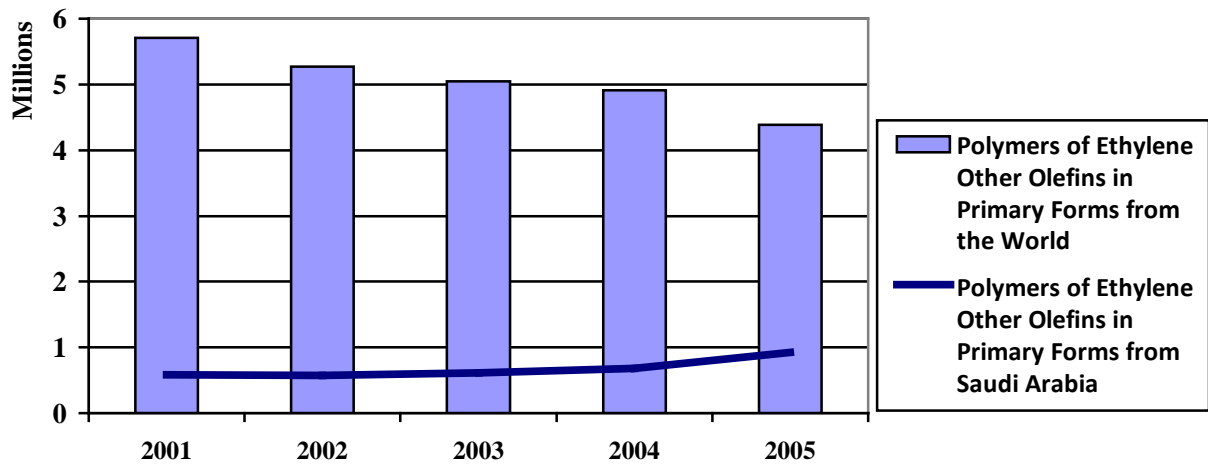
Source: United Nations Statistics Division

Graph 5.8 (a): China's Imports of Polymers of Propylene from the World and Saudi Arabia, 2001–2005 (Millions Tonnes)



Source: United Nations Statistic Division

Graph 5.8 (b): China's Imports of Polymers of Ethylene from the World and Saudi Arabia, 2001–2005 (Millions Tonnes)



Source: United Nations Statistic Division

Other than petrochemical products, the non-oil trade exports and imports between the two nations consist of consumer products, such as textile products, shoes, leather products, foods and toys (*Xinhua General News Service* 24.04.03).

5.4.1.4 Inducing Bilateral Investment through Different Channels

Comparing the 2001-2005 with the initial decade after diplomatic links had been established, not much improvement occurred in the development of mutual investments. Although both periods observed an increase in the number of trade visits between the governmental officials and business circles, mutual investment remained low. This subtopic, therefore, will assess how the governments and the business communities attempted to improve and encourage the investment between the two countries. This assessment begins with a brief understanding of the situation regarding inward investment in Saudi Arabia.

Inward investment in Saudi Arabia, as with many other countries in the region, was relatively low at this time: Banking sources in Saudi Arabia revealed that the volume of inward investment to the Middle Eastern countries was 'quite small' relative to other countries like China. 'Until now, the Arab World could not attract a global investments volume, which fits the capabilities of the emerging economies of the region' (*IPR Strategic Business Information Database* 26.09.01). The IPR Strategic Business Information Database cited this information from the *Al-Sharq Al-Awsat* Newspaper dated September 18, 2001.

It was acknowledged in the statements delivered by Saudi and Chinese officials that the volume of mutual and joint investments between the two countries was indeed low. The officials were not satisfied with the current volume of these investments, and therefore they urged the business communities to increase their investment activities. The President of the Riyadh Chamber of Commerce and Industry (RCCI), Abdul Rahman al-Jeraisy, called on Chinese business groups to invest more and to transfer technological knowledge to Saudi Arabia. He pointed that the total value of China's investment in the Kingdom was only around 0.06 percent of China's world-wide investment (*Middle East Newsfile SAUDI GAZETTE* 26.09.02). In April 2002, the Saudi Minister of Finance and National Economy, Ibrahim al-Assaf, stressed the inadequacy of the current volume of joint investments between the private sectors from both countries. According to him, this volume was small and stood at around SR 180 million. SR 150 million from this value was from 'joint industrial investments'. China's State Councillor, Wu Yi, who attended a meeting between Chinese and Saudi business circles in Riyadh, urged each side to seek investment opportunities in the other. She said ways of broadening opportunities for joint ventures were needed (*Middle East Newsfile SAUDI GAZETTE* 05.04.02).

Faced with the low level of inward investment, the Saudi government and its institutions were intent on attracting the flow of China's investment into the country. They provided facilities so that the Chinese investors would find it easier to understand the investment background of the Kingdom. The Commercial Section of the Saudi Embassy in Beijing

distributed the Kingdom's Foreign Investment Act, a Statute for the Saudi Arabian General Investment Authority (SAGIA) and its Executive Rules to governmental departments and councils in China. It was expected that this information would be included in the websites of Chinese government bodies. SAGIA had also distributed the above-mentioned materials to China's Embassy in Riyadh, the Saudi Embassy in Beijing and China's business circles (*Middle East Newsfile* 21.11.01). This initiative was intended to give the Chinese investors a better understanding of the Law and the procedures of investing in the Kingdom. The investors also needed to know the enormous advantages of foreign investment in Saudi Arabia.

From China's side, the visits of trade delegations to Saudi Arabia were intended to help the two countries to improve the level of joint investment. As had been practiced in the previous ten years, trade delegations from China's province made business trips to Saudi Arabia, seeking investment opportunities as well as investors. In February 2001, a 23-member Chinese trade delegation arrived in Jeddah for a meeting at the Jeddah Chamber of Commerce and Industry (JCCI). This delegation was the first delegation from Hebei province. As claimed by the head of the delegation, Guo Shichang, one of the main objectives of this trip was to seek joint ventures in the manufacturing field. The Deputy Director and Deputy Chairman of the Foreign Trade and Economic Cooperation Department of China's Hebei Province, Gao Wen Zhi, confirmed this objective: 'We look for joint venture production units in areas like construction, light industry, pure water, leather bags, agricultural machinery, auto accessories, and medical and chemical products. We're able to offer the necessary labour, expertise and training, which can go a long way in the ongoing Saudization plan' (*Arab News* 26.02.01).

In the ensuing year, a 15-member of Chinese business delegations arrived in Jeddah. With the aim of seeking opportunities for investment and joint ventures, and to spur bilateral trade between both nations, this delegation held a meeting with the Kingdom's business groups in the JCCI. Led by Cao Xumin, the President of the China Chamber of Commerce for Foodstuffs, Native Produce and Animal By-products (CFNA), this visit

could be seen as a part of the CFNA's effort in promoting its nearly 40,000 members (*Middle East Newsfile* 25.09.02).

Saudi Arabia was clearly keen to see the strong involvement of Chinese companies in the investment activities of the country. In 2003 and 2004, the Saudi authorities offered a wide range of attractive investment choices to Chinese firms, intended to bolster the flow of China's capital into the country. SAGIA granted China's investors six licenses, which covered 'petrochemical, pharmaceutical, tire manufacturing and construction material projects in Riyadh, Jeddah and Yanbu' (*Xinhua General News Service* 24.04.03). In 2004, the Chairman of the Council of Saudi Chambers of Commerce and Industry (CSCCI), Abdul Rahman al-Jeraisy, invited China's companies to invest in Saudi Arabia. This was in the context of the upcoming investment opportunity constituted by the Kingdom's allocation of USD 600 billion to the following areas: education, communication, road and railway construction, public health and irrigation. This allocation would be expended over fifteen years (*Xinhua General News Service* 14.12.04).

Another strategy of SAGIA in seeking to bolster mutual investment between the two countries was to help Saudi and Chinese private firms to establish a 'joint investment company'. Such a company, it was intended, would have a strong financial capability, face less bureaucratic hurdles and offer high-return investment opportunities. The idea of having such a joint investment company was put forward by the CSCCI in 2003. The Huanghuai Group Corporation was appointed to coordinate the project from the Chinese side. Chairman of the Board of Huanghuai Group Corporation, Guo Kexun, stated that each country would allocate USD 50 million for the development of the joint investment company. The investment that the joint company would focus on was in the infrastructure and energy sectors in the two countries (*Xinhua General News Service* 14.12.04).

Sending trade delegations to China remained a crucial activity as a means of assuring Chinese investors that they were very welcome to take up investment opportunities in the country. In 2005, the Kingdom sent a further business delegation to China. This delegation was led by Abdullah al-Mubti, the Chairman of the Abha Chamber of Commerce of Industry. It took part in the Arab–China Business Conference in Beijing in April 2005. The delegation was intended to increase ‘mutual confidence’, and to invite China’s investors to invest in the Kingdom. In recognition of the shared economic interests of China and Saudi businesses, al-Mubti called for more mutual investment between the two sides (*Saudi Press Agency* 17.04.05).

5.4.1.5 Mutual Investments in the Hydrocarbon Sector: Extraction, Refining, Marketing and Downstream Process

The analysis of Sino–Saudi mutual investment over this period will mainly concentrate on the hydrocarbon sector. The oil and petrochemical giants of Saudi Arabia and China continued their agenda of strengthening their bilateral cooperation. Saudi ARAMCO, the Fujian Petrochemical Company Ltd. and ExxonMobil continued a series of negotiations on the joint venture of the Quanzhou integrated refining and petrochemical project in Fujian province. This project had been under negotiation since 1997. Another project that had been intended to bring Saudi ARAMCO and Sinopec into a joint venture was the Qingdao oil refining project. Negotiation on this project had begun in 1993 and no significant development was observed in the period from 2001 to 2005. Other major developments that occurred in the petrochemical sector were the negotiations on joint venture petrochemical projects in Liaoning province and Yanbu Industrial City, Saudi Arabia. SABIC and Sinopec successfully drew up a joint venture agreement for Yanbu petrochemical project. The future of the joint venture agreements for the petrochemical projects in Liaoning province, however, was still undecided. In the gas sector, Saudi ARAMCO entered into an agreement with Sinopec in 2004. The two companies would explore the gas deposit in the 40,000 squares km of North Rub’ Al-Khali.

Quanzhou Integrated Refining and Petrochemical Project (Fujian Province)

Table 5.9: Quanzhou Integrated Refining and Petrochemical Project (Fujian Province)

Year	Achievements
2001	<ul style="list-style-type: none">• Negotiation on oil refinery and petrochemical project worth USD 3.5 billion in Quanzhou was continued (begun in 1997).• An agreement on joint feasibility studies (JFS) was concluded.
2002	<ul style="list-style-type: none">• The State Council of China approved the JFS.
2003	<ul style="list-style-type: none">• The Fujian Petrochemical Company Ltd. (FPCL) considered the production of paraxylene.
2004	<ul style="list-style-type: none">• Two agreements related to the front-end loading (FEL) were signed, and a submission of a JFS to China's government was made.
2005	<ul style="list-style-type: none">• An agreement for this project was concluded, and the construction began.

The above table shows how ARAMCO Overseas Co. B. V (a Saudi ARAMCO subsidiary), ExxonMobil China Petroleum and Petrochemical Co. Ltd. (ExxonMobil), and the Fujian Petrochemical Company Ltd. (FPCL) built their cooperation in the Quanzhou project throughout 2001 to 2005. The FPCL was a company owned by China Petroleum and Chemical Corp. (Sinopec) and Fujian government.

The progress of this project was very dynamic. The participating companies were skilful and the Chinese government was fully supportive. In each year they made considerable progress with more plans and agreements concluded. The project was approved by the Chinese government in 2000 (*Chemical Business NewsBase: Chemicalweek Asia* 06.11.00) and was the first Saudi ARAMCO joint venture project in China (*Saudi Press Agency* 05.01.05)

In the following year, the project moved into another stage. On November 14, 2001, Saudi ARAMCO, the FPCL and ExxonMobil reached an agreement related to a study on the development of integrated crude oil refining and an ethylene production facility. With the signing of this agreement, a joint feasibility study (JFS) of the project began. Upon the completion of this study, the signatories had to seek approval of the JFS from the State Development Planning Commission (SDPC) of the PRC.

Remarking on this progress, the Senior Vice President of Saudi ARAMCO International Operations, who attended the signing ceremony, stressed the significance of this project to China: ‘The integrated petroleum refining and petrochemical project has strong and sound fundamentals and will contribute to the exceptional economic development in Fujian in particular and China in general. We look forward to the Chinese government’s acceptance and approval of the JFS’ (*Middle East Newsfile* 26.11.01).

When China’s authorities approved the JFS, the FPCL, ExxonMobil and Saudi ARAMCO came out with a new plan which could offer another value-added element to the project. They intended to expand their cooperation and commitment into another project. In October of 2002, the approval for the JFS for an integrated refining and petrochemical project in Fujian province was given by the State Council of China (*Xinhua General News Service* 18.10.02). Now, the said companies planned for a joint venture in fuels’ marketing, which would lead to the development of 600 service stations in Fujian province (*Xinhua General News Service* 18.10.02).

The companies were ambitious and innovative. From a new plan, they began to consider the development of the production of Paraxylene (PX) in the integrated refinery and chemical complex. This idea was proposed by the FPCL. If this proposal was agreed, all the companies would seek a further approval for a JFS from China’s government, since the original JFS did not include the production of PX (*Chemical News & Intelligence* 24.12.03).

The FPCL, ExxonMobil and Saudi ARAMCO pushed the progress of the project by signing two agreements on August 26, 2004. In the first agreement, the companies agreed to jointly finance a front-end loading (FEL) design. Under the FEL, these companies had to carry out a series of activities, for example ‘completing initial engineering and design, selecting contractors, finalizing cost estimates and the development of the pre-ordering of long-lead time equipment’ (*Business Wire* 26.08.04). The second agreement dealt with a submission of the JFS to China’s government. The study highlighted the joint venture in marketing the oil products from this integrated plant (*China Energy Report Weekly* 27.08.04).

In July 2005, Saudi ARAMCO, ExxonMobil and the FPCL signed an accord on a USD 3.5 billion venture (*The New York Times* 09.07.05) and began the construction. In this integrated project, the existing refining facilities which were located at Quangan (in Quanzhou city) and were owned by the FPCL would be expanded. The new refinery would be able to process sour crude mostly from Saudi Arabia. An additional complex would be built during this expansion, and it consisted mainly of ‘800,000 tonnes per year ethylene steam cracker, polyethylene and polypropylene units, and a 700,000 tonnes per year of paraxylene unit’ (*Oil & Gas Journal* 06.09.04). The development of petrochemical facilities seems to have been a positive response to the increasingly expanding demand for, and inadequate supply of ethylene in the Chinese market. Although the production of ethylene in China exceeded 4 million tons per year, this amount was only capable of meeting two-thirds of the Chinese ethylene market demand (*Xinhua Economic News Service* 12.12.01).

The heads of the companies who attended the ‘foundation stone-laying ceremony’ of this project in July 2005 gave encouraging comments on this achievement. They had, they said, a strong belief that this project would be very successful and that it would bring huge benefits to Fujian’s economy and all participating companies. For Saudi ARAMCO and ExxonMobil, this achievement motivated them to widen their engagement in China’s

energy sector. The President and Chief Executive Officer of Saudi ARAMCO, Abdallah S. Jum'ah, expressed the readiness of Saudi ARAMCO to enhance its cooperation with China in the energy sector (*Xinhua General News Service* 12.07.05). The President of Sinopec, Wang Tianpu, identified the remarkable advantage that these three companies could reap from this project: 'The advanced technology, reasonable product portfolio and robust market demand within Fujian Province will ensure a competitive success for our three-party joint venture' (*China Daily* 09.07.05). The Senior Vice President of ExxonMobil, E.G. Galante, said he was also convinced that his company would retain its interest in pursuing business activities in China: 'ExxonMobil sees the Fujian project as "a significant milestone" to continue its business involvement with China in the long term' (*China Daily* 09.07.05).

Qingdao Refinery Project (Shandong Province)

The negotiations on the Qingdao refinery project between Sinopec and Saudi ARAMCO, mentioned above, began in 1993. At that time, the two companies discussed the possibility of a jointly developed refinery in Qingdao. After ten years, a series of negotiations had taken place. When asked about the position of Saudi ARAMCO in this project, Sinopec officials expressed confident expectations of future cooperation with the former. In 2004, the Vice General Manager of Sinopec Group, Wang Jiming, commented on Saudi ARAMCO's response towards the Qingdao project: 'They are very interested in the project ... the negotiations are proceeding smoothly' (*Asia Pulse* 19.11.04). The expectation for cooperation was raised in 2005 by a senior official of Sinopec Corp., Yan Huirong. He said that Saudi ARAMCO would give its cooperation in building the refinery in Qingdao city (Shandong province).

The project received some investment from local companies, namely Sinopec Corp., Shandong International Trust Investment Company and Qingdao International Trust Investment Company. With an estimated investment of USD 1.17 billion, this project was expected to produce 10 million tons per year of refined products (*China Energy Report*

Weekly 28.01.05). Qingdao refinery plant was intended to refine Saudi Arab Light and Arab Medium grades (*Petroleum Intelligence Weekly* 29.11.04)

Gas Exploration in Rub' Al-Khali

A new momentum was observed after 2001 in Saudi Arabia's natural gas sector. The Kingdom, for the first time, welcomed overseas companies to explore and invest in the natural gas resource for the benefit of its economy. This initiative was crucial to Saudi Arabia, in the sense that it promised huge economic benefits and an acceleration of economic reform. It had to be able to cope with the highest per capita gas consumption in the world. The data released by Saudi ARAMCO highlighted the level of this consumption, in which Saudi Arabia had 'the highest per capita gas utilisation rate in the world at 246 cubic feet a day per person' (*MEED Quarterly Report – Saudi Arabia* 18.03.03). The need for foreign investment in the Saudi gas sector was stressed by Oil Minister Ali al-Naimi. He said that the country needed such investment because it wanted 'to increase gas production and meet development requirements, to diversify income sources by making gas and associated products available to various industries, to create more employment opportunities ... and to support the efforts of Saudi contractors and suppliers' (*Al-Bawaba* 09.03.04).

To satisfy these needs, Saudi Arabia gradually opened its upstream activities of non-associated gas exploration to foreign consortiums, covering different areas of Rub' Al-Khali. In March 2004, Saudi ARAMCO signed upstream gas agreements with three foreign firms. One of these firms was Sinopec, the second-largest oil company in China. The agreement for the JV was signed by the Saudi Oil Minister (Al-Naimi), the President of Sinopec (Wang Jiming), and the Chairman of Saudi ARAMCO. Saudi ARAMCO had 20 percent of the stake and the rest was held by Sinopec (note: China's company was the largest stakeholder in the joint venture). Sinopec was given a contract to explore and develop 'natural gas and gas condensate deposits' in Contract Area B of the North Rub' Al-Khali (40,000 squares km), located in the south of the Kingdom. For a period of ten

years, the first phase was expected to cost USD 300 million. Among the activities that were involved in this phase were the well drillings and seismic surveys (*Xinhua General News Service* 07.03.04).

Petrochemical Projects in Liaoning Province

Chinese and Saudi companies also pursued their quest for new investment opportunities and cooperation in downstream petrochemical production in north-eastern China. In 2005, JVs in two petrochemical projects in Liaoning province were still being negotiated (*Chemical News & Intelligence* 26.09.05).

The first project was the construction of a PVC–VCM complex in the Shuangdao Bay Chemical Industry Park, located in Liaoning province. This project, for which approval was sought from the State Development Planning Commission in 2001, was expected to produce 490,000 tons of vinyl chloride monomer (VCM), and 500,000 tons of polyvinyl chloride (PVC) (*China Business* 16.03.02). In 2003, SABIC was still studying the proposed investment for this project. A year later, the project was reviewed by the China's National Development and Reform Commission. In 2005, Dalian Shide was still discussing with SABIC the possibility of concluding a JV for the project (*Chemical Week* 24.08.05). In this project, SABIC could become one of the shareholders and would supply ethylidene dichloride to this plant. Another project in Liaoning which SABIC was also considering investing in was a '300,000 tonne/year Panjin Ethylene Industry Corp's (PEIC) cracker expansion project' (*Chemical News & Intelligence* 26.09.05).

Petrochemical Project in Yanbu Industrial City

Another achievement of Saudi and Chinese companies was a petrochemical project in Yanbu Industrial City in Saudi Arabia. On September 14, 2005, a JV was reached between SABIC, Sinopec and Aker Kvaerner (a Norwegian company). Aker Kvaerner and Sinopec would be involved in 'the engineering, procurement and construction' of two

plants: a linear low-density polyethylene (LLDPE) plant that would use SABIC's polyethylene technology, and a polypropylene (PP) plant that would benefit from Dow Chemical's Unipol technology. These plants were the core sections of the ethylene and propylene manufacturing complex located in Yanbu Industrial City in Saudi Arabia. Other elements that were agreed in this JV were 'the supply and construction of shared offsite product handling facilities' (*Al-Bawaba* 15.09.05). The company that designed this project was Yanbu National Petrochemical Co. (YanSab), a new subsidiary of SABIC.

This project was expected to begin its operations in April 2008. As had been proposed, these plants would produce '1.3 million tpa of Ethylene; 400,000 tpa of Propylene; 500,000 tpa of High Density Polyethylene (HDPE); 700,000 tpa of Mono Ethylene Glycol (MEG); and 250,000 tpa of Benzene, Xylene and Toluene compound' (*Al-Bawaba* 15.09.05).

This project offered two main advantages to SABIC. First, SABIC's capability to meet the need of the regional petrochemical industries would be enhanced. There was currently a strong and rapid demand for petrochemical products in Asia, in particular in the South East Asian market. Ensuring this critical development, SABIC's Vice President for Polyolefins, Abdulrahman al-Ubaid, stressed that: 'Recognizing the rising demand for petrochemical products in Asia, SABIC is expanding its operations in the Middle East to meet this demand' (*Middle East Company News Wire* 27.04.05). Second, SABIC's aspiration to lift its global competitiveness and world ranking would be achieved. SABIC was expected to lead the world production of ethylene glycol as soon as this project was completed. At the time, SABIC was ranked as the second-largest producer of this product (*Middle East Company News Wire* 24.07.05).

5.4.1.6 China's Involvement in the Construction Activities in Saudi Arabia

Construction activity is another form of economic engagement between the companies of the two countries. In the 1990s, construction activities that involved both parties were minimal. These activities, however, became more seriously considered in the 2000s. The involvement of Chinese companies in Saudi construction activities grew. The assessment which follows will focus on the involvement of Chinese companies in the construction sector of Saudi Arabia.

Railway Construction Contracts in Saudi Arabia

Railway construction in Saudi Arabia involved, in part, the development of approximately 945 kilometres of railway line linking Riyadh and Jeddah. Upon completion, this project would be linked to the existing railway line between Riyadh and Dammam. The construction of a 115-kilometre railway line between Dammam and Jubail was a further part of this project (*Arab News* 08.02.02). All of these lines would be used for transferring goods from the Jeddah Islamic Port to the eastern part of the country.

The railway project required cooperation with foreign companies due to the limited capability of local firms. Seeking business alliances with overseas firms was seen as an effective approach to pull together the expertise and technology related to the project. According to the General Manager of LAM Co., Saleh Mutabbakani, 'Major construction companies in the Kingdom lack the necessary expertise in building railway projects, and this called for inviting foreign firms to do the work' (*Arab News* 08.02.02). In 2002, LAM Co. (a Saudi firm) and the China Civil Engineering and Construction Corporation (CCECC) signed an MoU for partnership in the bidding contract for the development of a railway line in Saudi Arabia. The CCECC was a state-owned company and was known for its expertise in building railway lines in China. It was the core partner of the LAM Co. For bidding purposes, LAM Co. had already concluded agreements with three other companies, from Germany, Austria and Canada. The cost of the project was estimated at

USD 2.7 billion and would link the eastern and western parts of the country (*Arab News* 08.02.02).

Construction of Processing Facilities in Saudi Arabian Cement Industry

The cement industry was an important component of the Saudi manufacturing sector. Its development was rapid and strong in the first few years of the 2000s. In 2003, for instance, the cement industry earned SR 2.5 billion in profits, a surge of 12 percent from 2002. This industry also underwent a huge demand in cement due to the development of new infrastructures in the country (*Saudi Press Agency* 26.03.05). The figures of 2003 showed that the domestic demand for cement amounted to 22.2 million tonnes, an increase of 9.3 percent from 20.3 million tonnes in 2002 (Patrick and James 2004). This situation, to some extent, welcomed the engagement of foreign construction firms in the Saudi cement industry.

The participation of Chinese companies in the construction activities of the Saudi cement industry was considerable. In 2004 and 2005, the Chinese companies won four construction contracts. They acquired big projects that were worth hundreds of millions of dollars in different locations in the country. With these contracts, the capability of Chinese companies to use their skills, expertise and technology in Saudi cement projects became apparent.

In 2004, China's Sinoma International Engineering Co. Ltd. won a 24-month construction contract worth USD 240 million. Sinoma would build a new clinker plant in al-Moujarada (north of Abha) with a production capacity of 5,500 tonnes per day (*Middle East Economic Digest* 29.10.04). There were also other elements to this contract: 'a 56-MW, diesel-fuelled captive power plant, a reverse osmosis (RO) desalination unit and sewage treatment and related facilities' (*Middle East Economic Digest* 29.10.04). In Saudi Arabia, this was the first Greenfield cement project that was given to a Chinese company.

In March 2005, China's Sinoma International Engineering Co. Ltd. won another USD 296 million (SR 1.035 billion) contract to construct a cement plant in Muzamiyah for a period of 26 months. This contract was signed between the Chairman of the Riyadh Cement Company (RCC), Prince Faisal bin Abdul Majeed, and Sinoma Chief Executive Officer, Wang Wei. In the plan, this plant would be able to produce '5,000 tons of clinker cement per day' (*Saudi Press Agency* 26.03.05).

In July 2005, the China Material International Corporation signed a contract for a third cement production line in Saudi Arabia. This production line was expected to produce 5,000 tons per day. The worth of the contract was USD 165 million and construction would be completed in 23 months. The location of this project was in Marat. The Chinese company would have more than '900 management, technical and construction staff' in this project, all from China. 70 percent of the equipment used in the production line was made in China (*InfoProd* 27.07.05).

In December 2005, a USD 580 million contract was signed between Sinoma International Engineering Co. Ltd. and Saudi Cement Co. (SCC). In this deal, two cement production lines would be built in Hufuf, one of the cities in the eastern part of Saudi Arabia (*Business Daily Update* 20.12.05).

5.4.2 Sino-Saudi Relations in 2006 to 2010

From 2006 to 2010, the political and economic relationships between China and Saudi Arabia were successfully and highly developed. The establishment of these relationships began to take off following the exchange of visits between the leaders of the two countries in 2006. In an effort to intensify bilateral economic ties, concepts such as 'natural strategic trading partner' and 'friendly and cooperative strategic partnership' emerged. The remarkable growth of the total trade volume between the two nations reflected the effectiveness of these concepts. The introduction of the multiple concepts

showed that China had seriously attempted to broaden and refine its shared understanding with Saudi Arabia. A profound shared understanding was expected to effectively and meaningfully maximize the use of resources between the two countries.

In the matter of investment, the success of the Sino-Saudi joint ventures in the hydrocarbon sector are two in China (Quangzhou and Tianjin) and one in Saudi Arabia (gas exploration in Rub' Al-Khali). There are two joint investments which have not yet been finally agreed. Mutual investments in non-hydrocarbon sector, such as the mining sector, have expanded drastically. The same trend has also occurred with Chinese construction activities in Saudi Arabia.

In analysing a theoretical conception of complex interdependence, the three characteristics – multiple channels, a minimal role of military force, and an absence of hierarchy among issues – were clearly identified in the Sino-Saudi relations over the 2006-2010 period. The interactions between the Chinese and Saudi governments were closer and more complex after the exchange visits of the two leaders in 2006. A donation of USD 50 million in cashes to the Sichuan province in 2008 was one of the examples. Transnational organizations such as Saudi ARAMCO, SABIC, Sinopec and Sinoma International Engineering Co., Ltd., markedly increased their role as the most important actors in the Sino-Saudi economic ties. The role of military force in the bilateral relations was irrelevant. The two countries did not form a military alliance, and Saudi Arabia did not rely on China for the purchasing of its military equipment. China also had no intention of becoming a rival power that could challenge the US power in the Middle Eastern region. The devaluation of military force in the Sino-Saudi relation indicated an absence of hierarchy among issues. The military concern was impractical, whereas the economic concern was prominent in the interstate agenda of the two countries. The achievement of mutual investment in refining and petrochemical projects as well as Chinese construction activities in Saudi Arabia showed a high preponderance of economic interests on the agenda.

5.4.2.1 Proliferating Sino-Saudi Relations through Personal Contact between Leaders

The leaders and officials of the two countries continued to have regular visits and meetings to promote bilateral relations. King Abdullah's visit to China in 2006 gave a new spirit to this relationship and led to the formation of more agreements, as well as further contact and meetings. With the visions and missions of these leaders and officials in consolidating the relations of the two nations, this period marked an advanced level in regards to the Beijing-Riyadh bilateral link.

The three-day state visit of King Abdullah to China, starting on January 23, 2006, was a sign of a new phase in the Riyadh-Beijing relationship. This phase was characterized by the warm personal relationship between the leaders of the two countries, and in the special position that China had attained in Saudi foreign policy. China was the first foreign country the King visited after taking the throne in 2005. Moreover, he was the first Saudi King ever to visit the country.

A line of comprehensive strategies aimed to forge a close and resilient relationship between the two countries was proposed. What made these strategies so significant was that they embraced aspects of politics, economics, society and culture, and provided a clear direction for the future development of the Sino-Saudi relationship. Of all these strategies, the most crucial one was China's earnest interest in the matter of energy. During King Abdullah's visit to China, President Hu Jintao put forward four strategies to enhance bilateral relations (*Xinhua General News Service* 23.01.06). The first strategy was the advancement of mutual trust and bilateral political ties. China and Saudi Arabia were to continue their high-level contacts, promote close consultation, encourage mutual support in order to preserve sovereignty and territorial integrity, and work together in facilitating international and regional issues. The second strategy was the expansion of energy cooperation for mutual benefit, and the third strategy entailed the strengthening of trade and economic cooperation overall. Bilateral cooperation would be reinforced in different sectors, including those of 'telecommunications, finance and investment'. The

fourth strategy was to enhance cultural exchange and friendship. China would boost exchanges of 'education, science, technology and press' with the Kingdom and encourage dialogue on different civilizations (*Xinhua General News Service* 23.01.06). In a meeting with King Abdullah, President Hu extolled the dynamic of the Sino-Saudi relationship, which, he said was based on the win-win principle and a pragmatic approach.

The King's visit resulted in the conclusion of five agreements, which fell within the areas of cooperation envisaged by the four strategies mentioned earlier. The agreement related to energy; technical, trade and economic collaboration; vocational training; tax evasion and dual taxation; and a loan by the Saudi Development Bank to Aksu city in Xinjiang Province, where the Muslim population was the majority (*Wall Street Journal* 24.01.06). The aim of this loan was to develop and improve the facilities in Aksu.

During the King's visit, several meetings between high-ranking officials were arranged. Much of the discussions between these officials reflected their concerns with the development of Sino-Saudi ties and the need to realize the leaders' stances. There was also a discussion between Saudi Crown Prince Sultan bin Abdul Aziz and Ismail Amat, Vice Chairman of the Standing Committee of the National People's Congress. The main item on the agenda of the meeting was the bilateral relation between both nations. There was no specific defence agenda identified at this meeting. China's Foreign Minister, Li Zhaoxing, held a meeting with Prince Sa'ud al-Faysal. The two ministers agreed to implement the joint efforts and the 'directive and identical stands' of their leaders. Minister Li conveyed the desire of China's government to establish Sino-Saudi ties to exemplify good South-South relations (*Saudi Press Agency* 23.01.06).

The high-ranking officials of the two countries had promising views on the cooperation and position of China and Saudi Arabia at the international level. For China's ambassador to the Kingdom, H.E. Mr. Wu Chunhua, cooperation at an international level

consolidated the bilateral links. His statement was complemented by the view of the newly appointed Saudi Ambassador to China, H.E. Mr. Saleh al-Hegelan, who ascertained that a close link between Beijing and Riyadh would bolster the political clout of both countries in the international arena. Ambassador Saleh al-Hegelan, stated, 'the closer contacts and cooperation between the two countries will surely exert a great influence on international society' (*Xinhua General News Service* 20.01.06). Ambassador Wu Chunhua, noted that the lack of fundamental conflict, the sharing of common will, and the practice of reciprocal cooperation deepened the Beijing-Riyadh relationship. Cooperation also appeared in the context of regional and international issues. Mutual support on anti-terrorism, moreover, had furthered the bilateral links.

Several meetings among high-ranking officials further signified a consistent effort of the two countries to bolster, deepen and expand their friendship. Because of these meetings, the officials appeared to be enthusiastic and committed to the effort to intensify the bilateral link. They seemed to realise that the current development of Sino-Saudi relations had to strengthen and advance. A few weeks before the state visit of President Hu Jintao to Saudi Arabia in 2006, the Secretary-General of the Saudi National Security Council, Prince Bandar bin Sultan, met China's Foreign Minister, Li Zhaoxing, in Beijing. The meeting was partly for making arrangements regarding the President's visit, and partly for an articulation of their political allegiance towards a close bilateral relation. The Chinese Foreign Minister called for an increase in exchanges and political mutual trust with the Kingdom in order to foster and deepen the friendship (*Xinhua General News Service* 29.03.06). On this visit, Prince Bandar also held a discussion with China's Premier, Wen Jiabao. Although the objectives of Prince Bandar's meeting with Chinese leaders were not evident, they could have served as part of an effort to heighten relations between the two nations.

President Hu Jintao arrived in Saudi Arabia on April 22 at the invitation of King Abdullah exactly three months after the King's visit to China. The President's three-day state visit occurred after his visit to the US. President Hu Jintao conveyed China's

readiness to build strategic cooperation with the Kingdom (*Xinhua General News Service* 24.04.06). There were two reasons, he said, for China's enthusiasm for advancing strategic cooperation with Saudi Arabia. The first stemmed from the Kingdom's vital role as a state within the Middle East: Saudi Arabia had made a significant contribution to the peace and stability of the region, called for the unity of the Arab world, and encouraged integration within the Gulf area (*Xinhua General News Service* 24.04.06). The second concerned the commonalities between the two nations. Both were developing countries and major powers in their regions; both had been concentrating on national economic growth and fostering peace in the world; and both shared similar positions on most world issues.

International Relations scholars and observers have been arguing about the term 'strategic cooperation', a concept to which China's leaders have frequently alluded. Within the context of the Sino-Saudi relations, the term does not denote security relations but common political and economic agendas. China requires Saudi Arabia's political leverage in preserving the stability of the region because such stability is necessary in order for China to pursue its economic interests.

Sino-Saudi relations received the full and constant attention of the Saudi King. Describing China as the Kingdom's special friend, the King strove to preserve the friendship formed between the two countries. The King, moreover, was very pleased with the smooth development of the bilateral link. On January 22, 2008, King Abdullah met General Cao Gangchuan, Vice-Chairman of the Central Military Commission of the PRC and Defence, in Riyadh. King Abdullah described the friendship as mutually beneficial, 'win-win', and good for the Chinese and Saudi people (*BBC Monitoring Asia Pacific* 24.01.08). In a meeting with China's envoy to the Middle East, Sun Bigan, in April 2008 in Riyadh, King Abdullah described China as 'the most precious friend' of the Kingdom (*Xinhua General News Service* 01.04.08). Sun Bigan expressed his appreciation of King Abdullah's attachment to the Sino-Saudi relationship. Both leaders also expressed their hope for an advancement of bilateral contact.

The reaction to the May 12, 2008 earthquake disaster in Sichuan province provided some evidence of the deepening friendship between the two countries. Apart from the generosity of Saudi Arabia, an immediate action of offering the material support implied the Kingdom's deep concern for the Chinese people. The Kingdom made a donation of USD 50 million in cash, and USD 10 million in relief equipment, which China would allocate to the rebuilding of schools and hospitals. In May 2008, '4,000 tents and blankets, instant food, milk powder for children and rescue tools' were also received as part of the Saudi donation to the victims of the earthquake. The Saudi donation was divided between 'the Southwest Sichuan Province and Chongqing Municipality, and the Northwest Gansu and Shaanxi Provinces'. Among other countries that made donations was the United Kingdom, which provided USD 4 million for earthquake relief, including 5,000 tents for the victims (*Xinhua General News Service* 27.05.08).

A few weeks later, China's president and his officials thanked the Saudi King and his people. China truly appreciated the assistance offered by the Kingdom. In June 2008, through a telephone call to King Abdullah, President Hu conveyed his 'sincere appreciation' to the King, the Saudi government, and people for assistance given to the people in the earthquake area of Sichuan. President Hu delivered this appreciation on behalf of China's government and its people. In the same month, China's Vice President Xi Jinping met with King Abdullah and Crown Prince Sultan in Jeddah and expressed his gratitude to the King for the Saudi donation to the victims of earthquake (*Xinhua General News Service* 23.06.08).

The Saudi and Chinese leaders persistently delivered positive statements concerning the bilateral relationship. These assertions were crucial; not only did they act as gestures of significant and strong goodwill between the two countries, they also implied that these countries were enjoying the fruits of such a relationship. China's Vice President, Xi Jinping, emphasized China's stand in placing 'great importance' on the Sino-Saudi relationship. There had been, as he described, 'a smooth development' in this relationship

since the visits between President Hu and King Abdullah in 2006. King Abdullah continued to stress that the relationship between the two nations was based on a solid foundation. The Kingdom valued the ‘friendly policy’ and traditional friendship of China. The King also accentuated the Kingdom’s stand on respecting and having more dialogue in dealing with different civilizations (*Xinhua Economic News Service* 22.06.08). Crown Prince Sultan bin Abdul Aziz al-Saud also met with China’s Vice President on this occasion and stressed that the people in Saudi Arabia had ‘deep friendly feelings’ for the people of China (*Xinhua General News Service* 02.01.08).

In the 1980s, Prince Bandar had been one of the ‘match-makers’ between his country and China. Now in the 2000s, he seems to have become a ‘booster’ of close links between Beijing and Riyadh. The meetings of the Prince and Chinese officials signified the efforts to sustain the closeness and intimacy between the two countries. During the Olympic Games in 2008, China’s Vice President and Prince Bandar bin Sultan took the opportunity to convey their views on Sino-Saudi relations. There was also a meeting between Prince Bandar and Zhou Yongkang, a member of the Standing Committee of the Political Bureau of the Communist Party of China (CPC) Central Committee.

Saudi Ambassador to China Yahya bin Abdul Kareem was reflecting on how the world event and natural disaster had impacted Sino-Saudi relations. The ambassador said that the Kingdom shared China’s ‘weal and woe’, which meant the sharing of China’s success in the Beijing Olympic Games as well as the suffering brought about by the earthquake disaster. During an interview with Xinhua, the ambassador stressed that through the Olympic Games, people in the Kingdom had learned of the ‘indomitable spirit’ and constant struggle of China’s people. When the ambassador conveyed the concern of people in Saudi Arabia for China, the psychological attachment became a significant element in the relationship.

The leaders and officials of both countries believed that the next generation would continue and expand the development of a close Sino-Saudi relationship. While working to cultivate the seed of such a relationship for the future generation, the Chinese leader seemed to contend that the link between China and Saudi Arabia should be inherited. Three years after his first visit to Saudi Arabia, President Hu made another trip to the Kingdom, in February 2009 (*Xinhua General News Service* 10.02.09). Saudi ARAMCO invited 12 children from China to be part of this visit. The presence of these children, who would spend time communicating with Saudi children, was a symbolic gesture for the Sino-Saudi relationship. Ambassador Yahya bin Abdul Kareem commented, 'Children are the future of any people in the world and the basis and future of the Sino-Saudi friendly relationship also rest with these children. We hope they will advance and deepen the current friendly cooperative ties in healthy development' (*Xinhua General News Service* 10.02.09).

In a meeting with King Abdullah, the President viewed Sino-Saudi relations as having rapidly developed and attained 'an all-time high' since the exchange visits of both leaders in 2006. The President called for the development of 'strategic friendly' relations between the two countries. (Note: In his 2006 visit to Saudi Arabia, President Hu Jintao had called for 'a strategic cooperation' between the countries). Six elements for the formation of strategic friendly relations were presented:

- (1) Setting up 'a high-level consultation mechanism' and maintaining high-level visits
- (2) Benefiting from each country's own resources and markets, and bolstering energy partnership and bilateral investment
- (3) Improving the cooperation level and expanding economic and trade cooperation
- (4) Increasing exchanges in 'education, sports, tourism, and personal contact'

(5) Intensifying coordination in responding to the core issues of the region, and ensuring peace and stability

(6) Fostering China-GCC cooperation (*States News Service* 11.02.09)

While promoting its close relations with Saudi Arabia, China modified the term ‘strategic cooperation’ to ‘strategic friendly relations’. There were two reasons for this. First, China tended to avoid any miscalculation of its interest in the Middle East. China was neither an outside power that sought military alliance nor was it a rival power that could challenge US predominance in the region. On the other hand, China was a foreign power that sought business partners in expanding its economic leverage and extending mutual economic benefits to Middle Eastern countries. Second, China had become aware of the implications of using the term ‘strategic cooperation’, which would create uneasiness with the US, the only Western superpower left in the region that had a long-established ‘strategic partnership’ with Saudi Arabia. This attitude was evident when referring to China’s ‘unusual step of assuring’ the US that no alliance had been formed with the Kingdom. Thus, no alliance that would threaten Washington’s interests had been formed (Cheow 2006).

Since the exchange visits of the leaders in 2006, positive changes and marked improvement in the bilateral relations of the two countries had been identified and acknowledged, and the leaders were content with this improvement. In January 2010, China’s Foreign Minister, Yang Jiechi, who met King Abdullah in Riyadh, characterized the relations as a ‘comprehensive, fast and in-depth development’. The factors that lay behind this development were a deepening ‘mutual trust’, an improved cooperation regarding various aspects, ‘a close coordination’ in dealing with the international and regional issues, and the role of President Hu Jintao and King Abdullah in driving the relationship toward ‘a strategic and friendly’ level. King Abdullah himself described the bilateral relations as improving especially in the aspects of ‘political mutual trust, economic and trade collaborations and cultural exchanges.’

5.4.2.2 Accentuating ‘A Friendly and Cooperative Strategic Partnership’ in Economic Ties

The focus of this section will begin with an analysis of the importance of the concepts of ‘natural strategic trading partner’ and ‘friendly and cooperative strategic partnership’ in relation to the bilateral economic links. It attempts to assess how the Saudi and Chinese officials elicited these concepts and the economic development that subsequently ensued. The analysis will then cover the development of trade relations between the two countries. The tremendous amount of the bilateral trade required the countries to set a higher target of total trade volume between them. By comparing with the period from 2001 to 2005, the total trade volume also experienced an upward march. The Saudi and Chinese high-level officials continued to call for an extensive and active participation of the business communities in the bilateral trade activities. To facilitate the trade engagements, the governments established an institution and a non-governmental joint commercial committee.

China and Saudi Arabia needed to establish ‘a friendly and cooperative strategic partnership’ for the bilateral economic link because the two countries had been economically serving each other as ‘natural strategic trading partners’. Chief Executive Officer of SABIC, Mohamed al-Mady, stressed why China and Saudi Arabia were considered ‘natural strategic trading partners’. China had been experiencing tremendous economic growth, while Saudi Arabia possessed a tremendous hydrocarbon reserve. Consequently, as a natural strategic trading partner, China benefited from the export of manufactured goods, while the Kingdom sought to benefit from the exportation of energy products (*Middle East Company News Wire* 07.05.08). Al-Mady identified three factors that bolstered the Sino-Saudi economic engagement as ‘a natural strategic trading partner’. First, was underpinning of this economic tie by cooperative political ties. Second, the geographic location of the partners permitted an economic pathway for two-way trade (*Middle East Company News Wire* 07.05.08). Third, the world economic drive had shifted to the East. Al-Mady claimed that this new trend in the global economy was

based on statistical data of economic growth and trade balance. He provided evidence of this when stating, 'China alone has been experiencing GDP growth of 10-12% for a number of years and experienced a positive trade balance of \$265bn in 2007' (*Middle East Company News Wire* 07.05.08).

In recognizing the importance of 'a natural trading partnership', the two countries began to transform the economic and trade cooperation into 'a friendly and cooperative strategic partnership'. To build this partnership, Chinese Vice President Xi Jinping proposed two mechanisms during a Seminar on China-Saudi Economy and Trade in Jeddah in June 2008. The first step was to draft a good plan for this partnership, and the second involved defining the role of Chinese and Saudi business circles, which served as 'a bridge of friendship' between the two nations. In this role, these business groups had to ensure that the bilateral economic and trade ties continued to expand. In promoting such expansion, Vice President Xi Jinping suggested three mechanisms: 'adhering to friendly cooperation based on mutual respect and sincerity; striving for win-win cooperation characterized by mutual benefit; and reciprocity and common development and going for innovation and blazing new trails in further cooperation' (*Xinhua General News Service* 22.06.08). However, there was some lack of clarity concerning to what extent the idea of 'friendly and cooperative strategic partnership' had been implemented.

Two developments demonstrated the significance of such a partnership in the Sino-Saudi economic and trade links. The first was the global financial crisis. During the crisis period, the heads of states urged an increase of cooperation, the boosting of trade and investments, and the cooperative prevention of financial risk. This issue was discussed during President Hu Jintao's visit to Saudi Arabia in 2009. King Abdullah stressed the Kingdom's willingness to further cooperation in trade, economic and other areas, and to exchange opinions related to global issues. Both leaders agreed to have close discussions on global financial reforms (*Xinhua General News Service* 10.02.09).

Second, was the unprecedented achievement of Chinese-Saudi commercial ties from 2008 to 2010. The two countries proposed a new target for bilateral trade volume after the previous target had been well met: the bilateral trade target of USD 40 billion in 2010 had been already achieved in 2008 (*Xinhua General News Service* 10.01.10). Therefore, at the Fourth Meeting of the Joint Committee on Economy and Trade held in Riyadh in January 2010, the China's Minister of Commerce, Chen Deming, and Saudi Minister of Finance, Ibrahim bin Abdel Aziz al-Assaf, agreed on a new target for the Sino-Saudi bilateral commercial link. The new target was an increasing of the trade volume between both countries by 50 percent over the next five years (2015). Minister Chen Deming announced, 'We want to increase the trade volume to \$60 billion by 2015 after the target for 2010 of \$40 billion was surpassed early in 2008,' (*Qatar News Agency* 11.01.10). In this meeting, China also announced that Saudi Arabia had become its largest trade partner in West Asia.

Table 5.10 and Graph 5.10 provide statistical data of Beijing-Riyadh exports and imports between 2006 and 2009. The total volume of Sino-Saudi trade reflects an upward trend in the years from 2006 to 2008. The highest total volume of trade was in 2008, with a value of USD 41.8 billion. This volume (USD 41.8 billion) was almost three times that of the highest total volume recorded in the years between 2001 and 2005 (the highest total volume was in 2005, with a value of USD 16.1 billion). A dramatic increase in China's exports to and imports from the Kingdom also occurred in 2008 in which exports and imports rose by 38 percent and 77 percent respectively. In 2009, the exports and imports showed significant decline, falling by 22.6 percent and 19 percent respectively. The concept of 'friendly and cooperative strategic partnership' which had been introduced in 2008 seemed to carry no positive effect on the volume of these exports and imports.

From 2006 to 2009, China ran a huge trade deficit with Saudi Arabia, totalling at USD 55 billion, as compared to USD 19.3 billion in the period of 2001 to 2005. The annual average of this USD 55 billion trade deficit was USD 14 billion. This trade deficit varied: it declined by 3 percent in 2007, raised to 107.8 percent in 2008, and dropped by 27.5

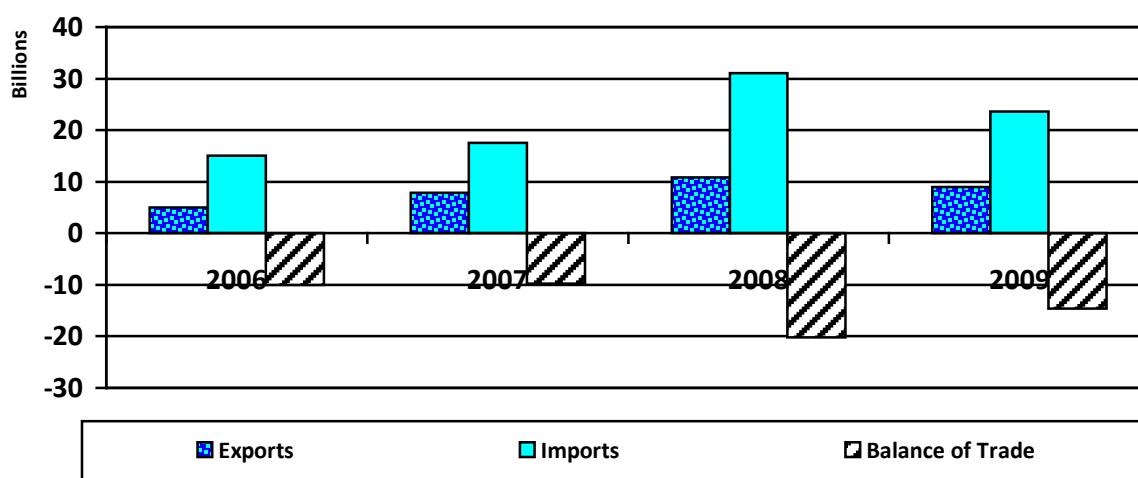
percent in 2009. The largest trade deficit was in 2008, climbing to USD 20.1 billion. One factor that shaped this trend was a sharp increase in global oil prices (Table 5.10 and Graph 5.10).

Table 5.10: China's Exports to and Imports from Saudi Arabia, 2006-2009 (US Dollars)

	Exports	Imports	Balance of Trade	Total Volume of Trade
2006	5,055,833,989	15,084,532,094	-10,028,691,000	20,140,366,083
2007	7,839,958,562	17,560,475,696	-9,720,517,128	25,400,434,258
2008	10,823,467,968	31,022,697,923	-20,199,229,960	41,846,165,891
2009	8,977,851,553	23,620,243,562	-14,642,392,010	32,598,095,115

Source: United Nations Statistic Division

Graph 5.10: China's Exports to and Imports from Saudi Arabia, 2006-2009 (USD)



Source: United Nations Statistic Division

From 2006 to May 2008, ‘Textiles and Their Raw Materials’ (the raw materials included wool, cotton, silk and synthetic fibres) retained its dominance in China’s total exports to the Kingdom by 26 per cent. The second and third of the major exports were ‘Machinery, Equipment, Audio and Video Products and Parts’, and ‘Cheap Metals and Products’ accordingly. In the same period, the second major export constituted 23 per cent and the third major export made up 16 per cent of these exports (Table 5.11 and Chart 5.11).

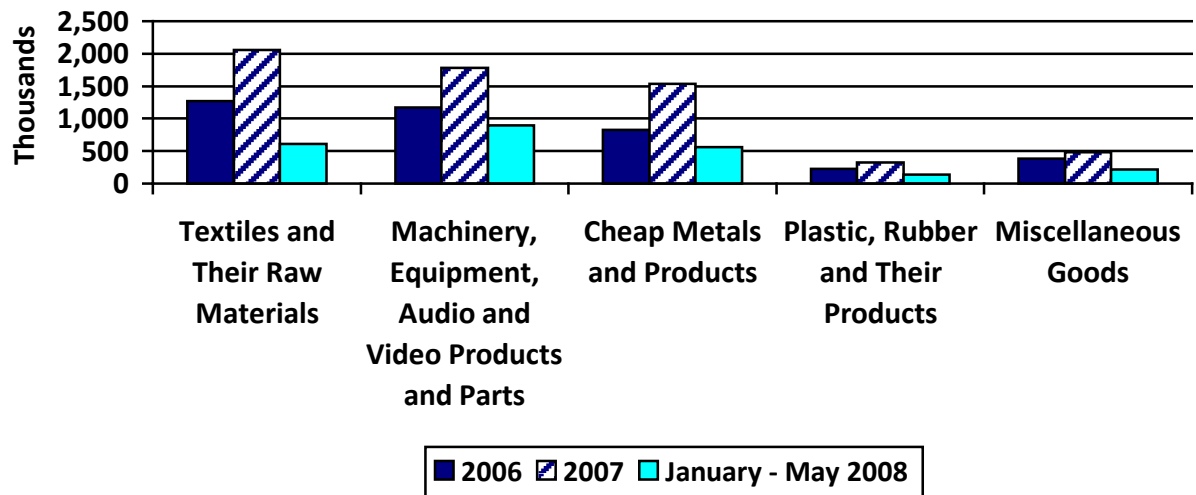
The same trend had already appeared from 2001 to 2005 in which the ‘Textile and Their Raw Materials’ led China’s total exports to Saudi Arabia by 34 percent. ‘Machinery, Equipment, Audio and Video Products and Parts’ and ‘Cheap Metals and Products’ served China’s second and third major exports to Saudi Arabia.

Table 5.11: China’s Major Exports to Saudi Arabia, 2006- May 2008 (1,000 USD)

	Total Exports	Textiles and Their Raw Materials	Machinery, Equipment, Audio and Video Products and Parts	Cheap Metals and Products	Miscellaneous Goods	Plastic, Rubber and Their Products
2006	5,055,729	1,271,795	1,168,104	822,347	383,229	224,471
2007	7,806,963	2,058,281	1,778,707	1,534,483	484,413	322,796
January – May 2008	3,123,947	608,261	892,322	562,319	215,193	136,906

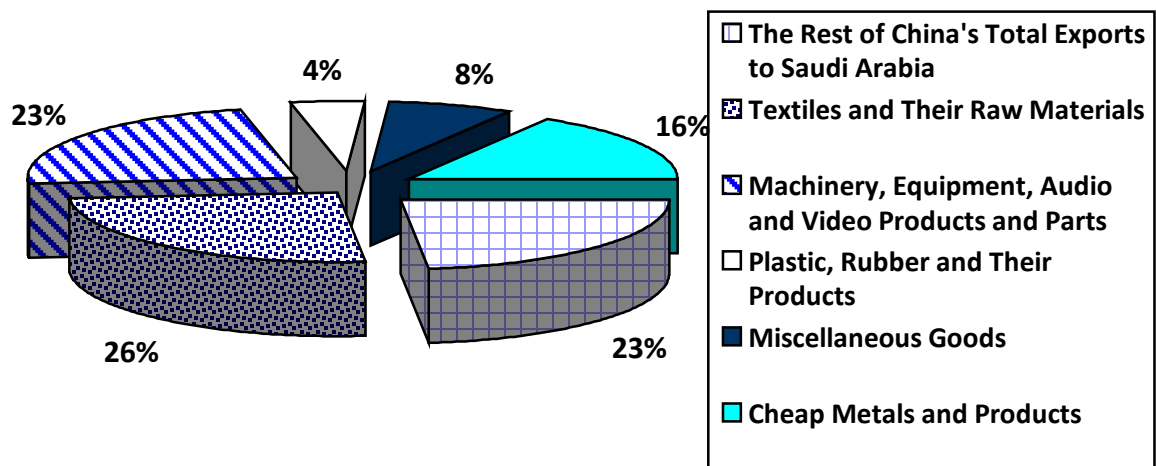
Source: Xinhua Economic News Service

Graph 5.11: China's Major Exports to Saudi Arabia, 2006 to May 2008 (1,000 USD)



Source: Xinhua Economic News Service

Chart 5.11: China's Major Exports to Saudi Arabia Relative to Total Exports, 2006 to May 2008



Source: Xinhua Economic News Service

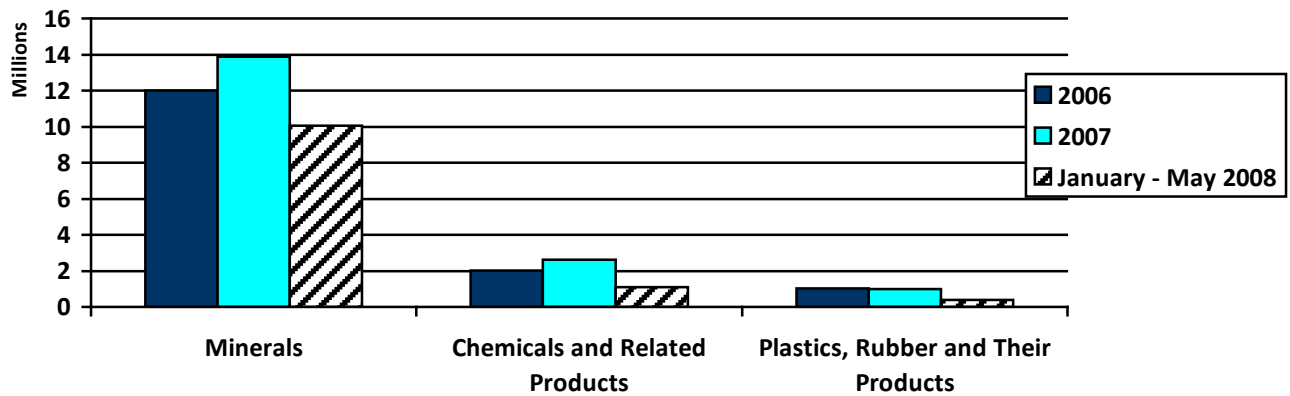
Table 5.12, Graph 5.12 and Chart 5.12 illustrate China's major imports from Saudi Arabia between 2006 and May 2008. Minerals, mainly dominated by crude oil, were a leading category in these imports, and surged strongly throughout this period. In these 29 months, this category constituted at 81.8 per cent (more than three quarters) of China's total import from the Kingdom. The 'Chemicals and Related Products' category was the second major import of China from the Kingdom, accounting for 13 percent of the total imports. The third major import was 'Plastic, Rubber and their Products', which made up 5.5 percent of China's total imports from the Kingdom. Overall, the trend of this period repeated the development that had occurred from 2001 to 2005, demonstrating the dominance of the 'mineral' sector over the two other major imports.

Table 5.12: China's Major Imports from Saudi Arabia, 2006 to May 2008 (USD 1,000)

	Total Imports	Minerals	Chemicals and Related Products	Plastics, Rubber and Their Products
2006	15,084,388	11,995,590	2,017,738	1,044,122
2007	17,560,201	13,859,885	2,635,613	1,007,933
January- May 2008	11,570,080	10,039,799	1,111,054	392,663

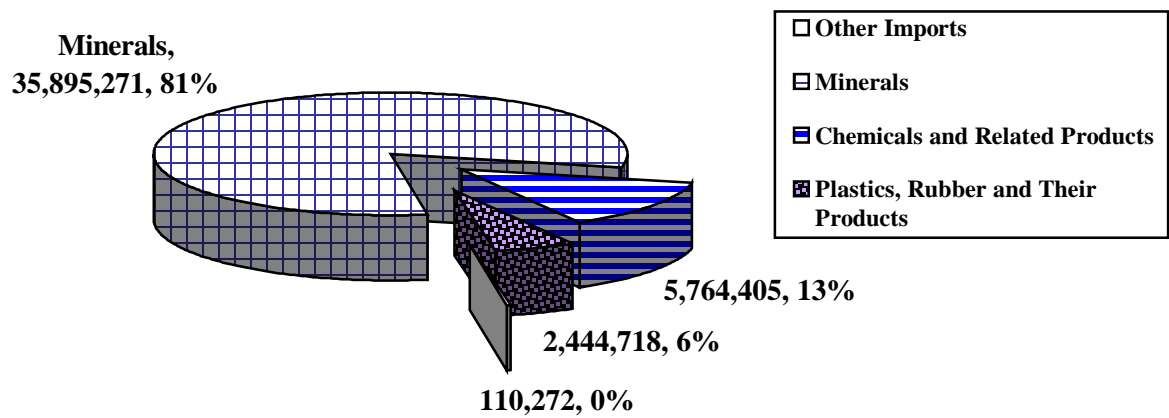
Source: Xinhua Economic News Service

Graph 5.12: China's Major Imports from Saudi Arabia, 2006 to May 2008 (1,000 USD)



Source: Xinhua Economic News Service

Chart 5.12: China's Major Imports from Saudi Arabia, 2006 to May 2008 (USD 1,000)



Source: Xinhua Economic News Service

Oil Trade

The exchange visits of the heads of states in January and April 2006 strengthened the energy cooperation between China and Saudi Arabia from 2006 to 2010. These visits led to initiatives of the national oil companies to ensure that Saudi oil exports could meet the oil demand of the Chinese market. Despite economic turmoil in the late 2000s, these companies continued to increase the total volume of oil trade. The figures for Sino-Saudi oil trade suggest that soaring Saudi oil exports to China led to the development of oil dependency. The trend of the Sino-Saudi oil trade dealings was not much different from the previous five years. The growth of oil trade volume between 2001 and 2005 increased significantly, from 8.7 million tons in 2001, to 22.1 million tons in 2005. The government officials and the state-owned oil companies remained the major actors of oil trading between the two states.

The opening of 2006 witnessed aggressive policies from China and Saudi Arabia regarding oil cooperation. As oil demand from China had been increasing, the leaders decided to tighten energy cooperation between the countries. When King Abdullah and President Hu Jintao met in Beijing on January 23, 2006, the two governments concluded an energy protocol. This protocol aimed to extend cooperation in oil, natural gas and minerals and served as an important landmark of state-to-state oil cooperation. As a Research Director of the Shenzhen-based Guohai Securities Zhu Baohe pointed out, 'this is the first agreement between the two governments on overall cooperation in energy sector' (*China Energy Weekly* 27.01.06).

There were two factors surrounding the formation of this energy pact. The first was the need to assist Chinese oil companies. Sinopec, for example, had witnessed a gradual decline of its oil stockpile, which required replenishment. The Middle East was a prime location since the majority of Sinopec's crude oil originated from this region. With the signing of this protocol, Sinopec could secure more oil from Saudi Arabia (*Xinhua Economic News Service* 25.01.06). Secondly, the government sought an energy policy

that would diversify crude oil suppliers and upgrade refining capacity. For this reason, China intensified its effort to secure oil from Saudi Arabia as well as from Kazakhstan, Russia and Venezuela. Tapping oil from the countries that had new emerging resources was also part of this effort (*Petroleum Intelligence Weekly* 28.08.06).

President Hu Jintao continued to play an active and significant role in pursuing China's energy policy. His three-day state visit to Saudi Arabia in 2006 was not simply about the actual pace of China's energy policy, but also concerned China's strong interest in acquiring more oil from foreign producers. Securing this hydrocarbon resource was vital for the country's oil stockpile. In this visit, the leaders reached an agreement on Chinese strategic oil reserve, which meant China could add 2,000 tons of oil per year to its oil stockpile (*Xinhua Economic News Service* 26.04.06).

Following the initiative of President Hu Jintao to secure oil from Saudi Arabia, the oil companies of the two countries made efforts to guarantee sufficient and uninterrupted oil supply for China. One example of this was the opening of Saudi ARAMCO's branch in Shanghai in 2006. The office that had also aimed to expand Saudi ARAMCO's operation in China would concentrate on 'product purchasing, manufacturing and contracting' (*Middle East and North Africa Financial Network* 15.11.06). The efforts of China Petroleum & Chemical Corporation and China National Petroleum Corporation served as another example. This company had acquired advanced equipment that could improve its refining capacity for processing oil from the Middle East (*Sinocast China Business Daily News* 11.10.07).

The solid cooperation between the two governments and their national oil companies proved to be worthwhile in that it produced two positive results: the escalation of Saudi crude oil exports to China and the assurance of China's energy security. At the end of 2008, China stored 7.3 million barrels of crude oil in its oil stockpiles, located in Huangdao Island and Qingdao City. It was claimed that 50 percent of this stock consisted

of crude oil from Saudi Arabia (*SinoCast* 11.12.08). Between 2003 and 2008, China had four oil stockpiles, which were located in Zhenhai, Zhoushan, Huangdao and Dalian.

The reinforcement of Sino-Saudi oil trade continued even during the economic crisis. The Saudi national oil company planned to boost the volume of oil transactions with China, preparing itself for a forthcoming commercial operation of a joint venture project in Fujian. In November 2008, the President of Saudi ARAMCO, Abdallah S. Jum'ah, announced his company's plan to increase the volume of oil exports to China. An increase from 750,000 bpd to 1 million bpd was to take place in the first quarter of 2009. This plan took into consideration the Fujian integrated refining and petrochemical project that was scheduled to start its operations at the beginning of 2009 (*Sinocast China Business Daily News* 11.10.07). The economic crisis seemed to have no implication on crude oil trade between the two nations, though Abdallah S.Jum'ah stated that the Kingdom had already anticipated a decrease in global oil demand due to the prevailing economic downturn.

To meet the demand from the Fujian Refinery Plant, Chinese and Saudi oil conglomerates maximized the benefits of the existing energy cooperation. Chinese oil companies continued increasing the volume of imported oil from Saudi Arabia. This trend was significant because it reflected the rising dependency of China on Saudi oil. At the end of 2009, Sinopec Corp and PetroChina agreed to increase the purchasing of crude oil from Saudi ARAMCO by 12 percent in 2010. This meant that these two China state oil companies would import 1.04 million bpd of crude oil from the latter. The Fujian refinery plant would consume 200,000 bpd out of this 1.04 million bpd crude oil imports (*Middle East and North Africa Financial Network* 21.11.09).

The president of Saudi ARAMCO said, he was content with the oil trade dealings that the Saudi and Chinese oil companies had accomplished. His statement, to some extent, convinced the Chinese oil companies that they were good partners in oil trade

cooperation. Therefore, there was a prediction that oil cooperation between these companies would be extended. The President stated, ‘we’re very happy with the cooperation, and we’re very happy with all the deals that we have done with our friends in China. The deals are beneficial for both parties.’ Saudi ARAMCO, having begun its oil exports to China in 1990, now constitutes China’s biggest oil supplier. Furthermore, Saudi Arabia envisaged that the MoU signed between Sinopec and Saudi ARAMCO in 2006 would resume even after the contract termination date of 2010.

China became a dependent client of oil from Saudi Arabia. A swelling volume of imported oil from the Kingdom reflected the extent to which China had been locking up oil from the world’s biggest oil producing country. As Table 5.13 shows, the period of 2006 to 2009 witnessed an increase of China’s petroleum and crude oil imports from the Kingdom. This trade rose by 75 percent, expanding from 23.8 million tons in 2006 to 41.8 million tons in 2009. The recorded annual average was 19 percent. In this four-year period, almost one fifth of China’s oil imports from the world depended on oil imports from Saudi Arabia (Chart 5.13).

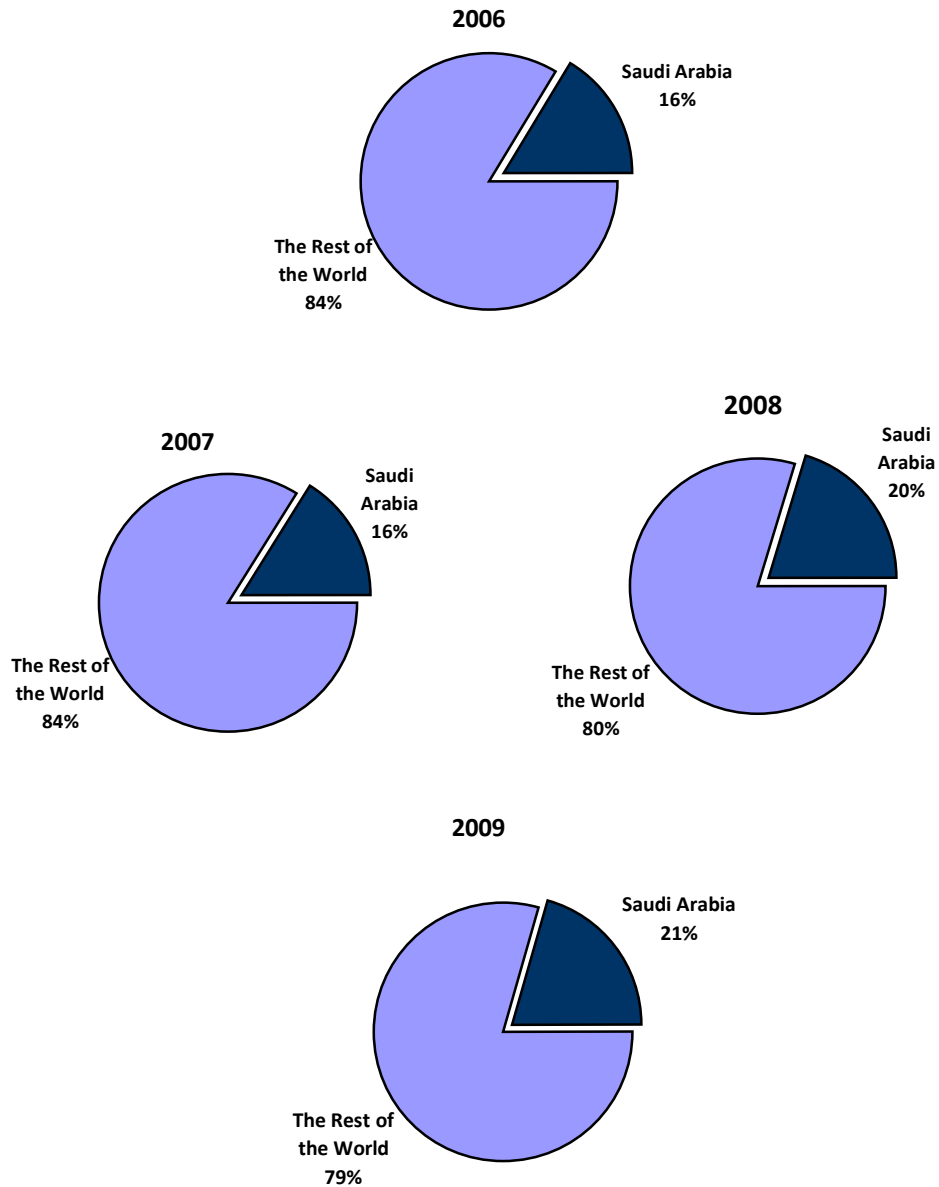
China’s oil demand from Saudi Arabia from 2006 to 2009 expanded faster than it had from 2001 to 2005. Between 2006 and 2009, the purchasing of Saudi oil exceeded the amount between 2001 and 2005 by 71.4 percent (53.3 million tons). This record-high increase demonstrated the tight energy cooperation between the two countries, Saudi Arabia’s heightened role in fulfilling China’s oil thirst, and the indirect contribution of the Kingdom in stimulating the growth of China’s economy.

Table 5.13: China's Imports of Petroleum Oil, Oils from Bituminous Minerals, and Crude Oil from the World and Saudi Arabia, 2006-2009 (Tonnes)

	China's Imports of Petroleum Oil, Oils from Bituminous Minerals, Crude from the World	China's Imports of Petroleum Oil, Oils from Bituminous Minerals, Crude from Saudi Arabia	% Change	Percentage of China's Imports of Petroleum Oil, Oils from Bituminous Minerals and Crude Coming from Saudi Arabia
2006	145,174,839.0	23,871,514.6	8%	16.4%
2007	163,161,815.0	26,333,689.8	11%	16.1%
2008	178,885,216.4	36,368,396.2	38%	20.3%
2009	203,786,208.4	41,857,126.4	15%	20.5%
Total	691,008,078.8	128,430,727.0	-	18.6%

Source: United Nations Statistic Division

Chart 5.13: China's Imports of Petroleum Oil, Oils from Bituminous Minerals, Crude from the World and Saudi Arabia, 2006-2009



Source: United Nations Statistic Division

China was more reliant on Saudi crude oil than on the rest of its major crude oil sources. From 2006 to 2009, Saudi Arabia ranked as the largest provider of oil to China and accounted for approximately 34 percent of China's total oil imports from these major sources: Angola (29.2 percent), Iran (21.6 percent) and Russia (15.1 percent) (Table 5.14 and Chart 5.14). Moreover, China's dependency on Saudi oil during this period was at the same level as it had been from 2001 to 2005. In the latter period, Chinese dependency on Saudi oil averaged 34 percent.

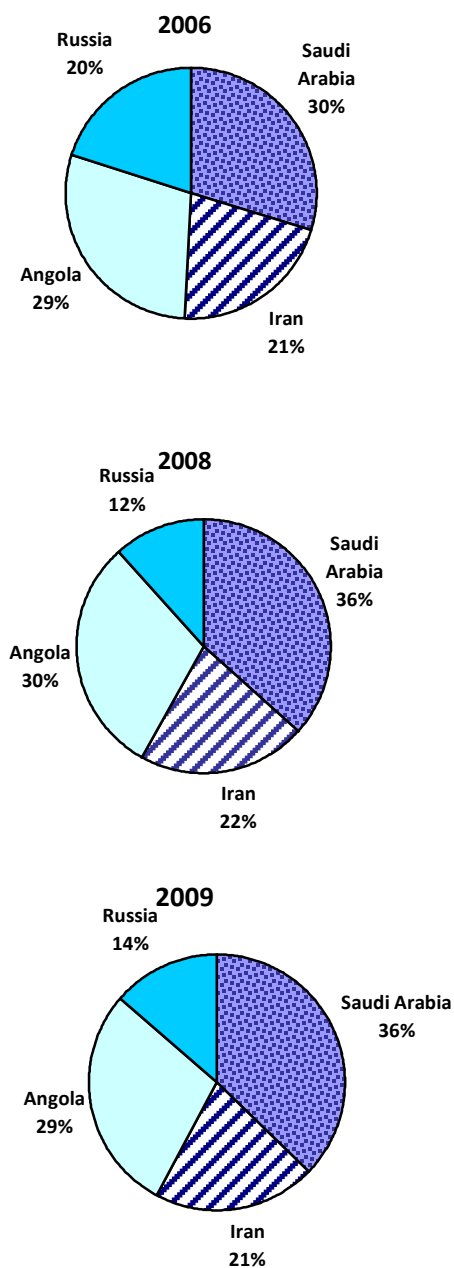
Table 5.14: China's Oil Imports from Major Suppliers, 2006-2009

(Million Tonnes)

	Saudi Arabia	% Change	Iran	% Change	Angola	% Change	Russia	% Change
2006	23.8	7.6	16.7	17.6	23.4	34.4	15.9	25.1
2007	26.3	10.5	20.5	22.7	24.9	6.4	14.5	- 8.8
2008	36.3	38.0	21.3	3.9	29.8	19.6	11.6	- 20.0
2009	41.8	15.1	23.1	8.4	32.1	7.7	15.3	31.8
Total	128.0	-	81.6	-	110.2	-	57.3	-

Source: United Nations Statistic Division

Chart 5.14: China's Oil Imports from Major Suppliers, 2006-2009



Source: United Nations Statistic Division

Furthermore, China's General Administration of Customs released a statement indicating the three biggest oil suppliers of China for the year 2009. Saudi Arabia, Angola and Iran sold 41.86 million tonnes, 32.17 million tonnes and 23.15 million tonnes respectively to

China. As the largest oil provider to China in 2009, Saudi Arabia contributed 20.5 percent of China's total oil imports from the world (*Xinhua General News Service* 10.02.10).

Table 5.15 shows a significance of Chinese oil imports relative to its oil production and consumption. In 2006 to 2009, Chinese oil production supplied 48 percent to 53 percent of the domestic market demand, with the remaining percentage supplied through oil imports (Table 5.15). China's oil imports were stronger during this period than in the previous five years (2001-2005). If from 2001 to 2005 this import ranged between 1.4 million bpd and 2.7 million bpd, in 2006-2009, this import grew from 3.3 million bpd to 4.2 million bpd. The pattern of this import, however, was a not drastic, but rather a steady and gradual increase. Oil imports continued to meet China's domestic oil consumption from 30.6 percent in 2001 to 51.2 percent in 2009.

Table 5.15: China's Total Oil Production, Total Oil Consumption, and Oil Imports, 2001-2009

Barrels Per Day (bpd)			
	Total Oil Production	Total Oil Consumption	Total Oil Import
2001	3,434,535	4,917,882	1,483,347
2002	3,529,762	5,160,714	1,630,953
2003	3,559,006	5,578,111	2,019,105
2004	3,657,452	6,437,484	2,780,031
2005	3,791,566	6,695,444	2,903,878

2006	3,865,271	7,263,328	3,398,058
2007	3,921,356	7,582,000	3,660,644
2008	3,982,718	7,831,000	3,848,282
2009	3,991,404	8,200,000	4,208,596

Source: U.S. Energy Information Administration Independent Statistic & Analysis

Table 5.16 shows Saudi's exports of petroleum oil, oils from bituminous minerals and crude to the world and China. In 2006, China accounted for 6.78 percent of the total Saudi oil exports to the world. For this sector, Saudi Arabia only provided the statistics for the year 2006 and 2007 in the United Nations Commodity Trade Statistics Database.

Table 5.16: Saudi Export of Petroleum Oil, Oils from Bituminous Minerals, Crude to the World and China, 2006-2009 (Tonnes)

	Saudi Export of Petroleum Oil, Oils from Bituminous Minerals, Crude to the World	Saudi Export of Petroleum Oil, Oils from Bituminous Minerals, Crude to China (Comtrade)	Percentage of Saudi Export of Petroleum Oil, Oils from Bituminous Minerals, Crude to China Relative to the World
2006	351,064,865.2	23,822,590.5	6.78
2007	345,598.6	N/A	N/A
2008	365,059,863.0	N/A	N/A
2009	307,807,661.0	N/A	N/A

Source: United Nations Statistic Division

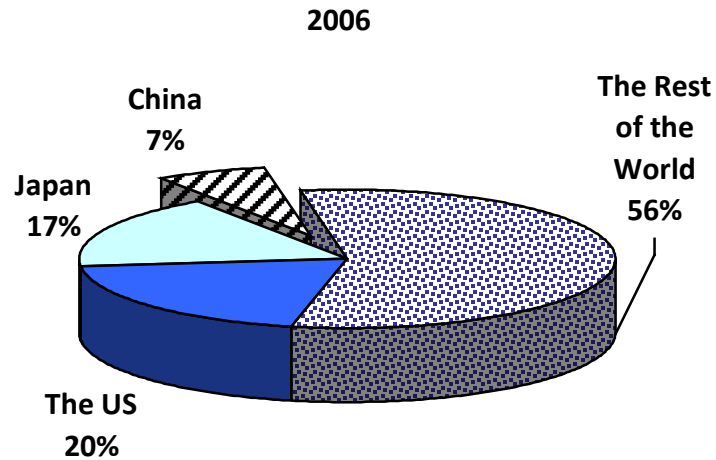
Table 5.17 presents the data of Saudi exports of petroleum oil, oils from bituminous minerals and crude to the United States, Japan and China for a period of four years. As of 2006, twenty percent of Saudi oil went to the US, 17 percent to Japan, and 56 percent to the rest of the world. As Saudi Arabia exported only seven percent of its oil to China (Chart 5.17), compared to the US and Japan, China received less oil. The same development took place in the previous period (2001-2005). Saudi Arabia sold more oil to the US and Japan than China. In 2005, for example, American, Japanese and Chinese markets bought 72.3 million tons, 62.7 million tons and 22.5 million tons of Saudi oil respectively. This analysis, however, is also constrained by the limited availability of data in the United Nations Commodity Trade Statistic Database.

Table 5.17: Saudi Exports of Petroleum Oil, Oils from Bituminous Minerals, Crude to the United States, Japan and China, 2006-2009 (Tonnes)

	Saudi Export of Petroleum Oil, Oils from Bituminous Minerals, Crude to the World	Saudi Export of Petroleum Oil, Oils from Bituminous Minerals, Crude to the United States	Saudi Export of Petroleum Oil, Oils from Bituminous Minerals, Crude to the Japan	Saudi Export of Petroleum Oil, Oils from Bituminous Minerals, Crude to China
2006	351,064,865.2	70,408,170.9	60,064,174.1	23,822,590.5
2007	345,598.6	75,874.7	109,699.4	N/A
2008	365,059,863.0	N/A	N/A	N/A
2009	307,807,661.0	N/A	N/A	N/A

Source: United Nations Statistic Division

Chart 5.17: Saudi Exports of Petroleum Oil, Oils from Bituminous Minerals, Crude to the United States, Japan and China, 2006



Source: United Nations Statistic Division

From 2006 to 2008, Saudi oil exports to North America and Asia increased by 10.48 percent and 8.3 percent respectively. This percentage indicates the importance of both markets to the Kingdom (Table 5.18 and Graph 5.18). Saudi oil exports to Western Europe, however, declined by 17.1 percent.

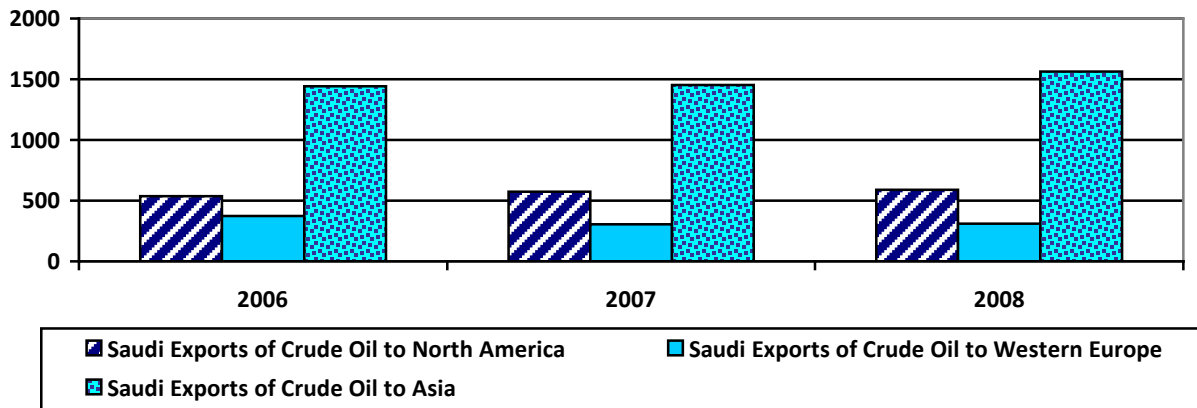
Table 5.18: Saudi Exports of Crude Oil to North America, Western Europe and Asia, 2006-2008

(Million Barrels)

	Saudi Exports of Crude Oil to North America	Saudi Exports of Crude Oil to Western Europe	Saudi Exports of Crude Oil to Asia
2006	534.50	374.80	1440.63
2007	571.78	306.04	1453.23
2008	590.66	310.97	1560.86

Source: SAMA Annual Report 46th

Graph 5.18: Saudi Exports of Crude Oil to North America, Western Europe and Asia, 2006-2008



Source: SAMA 46th Annual Report

In 2009, China reportedly outstripped the US in the importation of oil from Saudi Arabia. For the first time in 20 years, Saudi crude oil exported to the US dropped below one million bpd, whereas the same commodity to China exceeded one million bpd. For the year 2009 alone, China imported 41.86 million tonnes of crude oil from Saudi Arabia (*SinoCast* 23.02.10).

Non-oil Trade

This section provides an assessment of non-oil trade and consists of two parts: the petrochemical and non-petrochemical sectors. For the petrochemical sector, the assessment begins with a Chinese anti-dumping issue that raised tension among Saudi petrochemical producers and business people. The two governments attempted to solve this issue, yet yielded no result. In the non-petrochemical sector, a new variation of made-in-China products was offered to the Saudi market. Most of these products had the added benefit of recent technology.

Petrochemical Sector

A serious challenge emerged in the Sino-Saudi petrochemical business when the Chinese government planned to implement unfavourable protectionist policy against some of the world producers and exporters of petrochemicals. For this purpose, China launched a number of investigations on petrochemical products, which ended up lasting more than a year. On June 25, 2009, China's Ministry of Commerce began its anti-dumping investigation of methanol from Saudi Arabia, Malaysia, Indonesia and New Zealand. The investigation aimed to assess whether these petrochemical products had been dumped at a price that was lower than the production cost. According to a circular released by the Ministry, the probe would complete before June 24, 2010. However, there was a possibility that this investigation could extend to December 24 of the same year (*SinoCast* 25.06.09).

The investigation created overwhelming concern, dissatisfaction and even criticism from Saudi business groups, who deemed it as unfair, and felt it would spoil the petrochemical trade between the two countries. The Chairman of the Executive Council of Saudi Export Development Center (SEDC), Abdul Rahman al-Zamil, was outraged with the investigation on methanol and butanediol (BDO), which began in June 2009. Al-Zamil rejected this investigation on at least three accounts. In the first place, China had no reason to probe these petrochemical imports because, as he said, 'We do not subsidize our exporters'. He further claimed that for China to impose protection policy against the petrochemical imports was unacceptable since both countries had mostly practised 'duty-free bilateral trade'. He also considered China's action 'a direct threat' to Saudi economy since Methanol and BDO comprised 10 and 15 percent of Saudi petrochemical exports to China (the total value of these exports was USD 2 billion). Moreover, he commented, 'the damage will be done while they study it for one, two or even 100 years' (*Arab News* 05.07.09).

This called for immediate response by the Saudi authority to urgently cope with this petrochemical issue. The authority was also pressed to retaliate against China's products in the Saudi market. Al Zamil urged the Saudi government to have a clear position in regards to this problem. Moreover, Saudi petrochemical exporters enjoined their government to apply tariffs on industrial goods from China. Al-Zamil stated, 'The Chinese are dumping on our market...We want our government...to apply the same principles, the same customs duties' (*Arab News* 05.07.09). In the Kingdom, the custom tariff on imported medicine and foodstuff went down to zero and was slashed to five percent on other products. The reduction of tariff was taking place while the Kingdom was preparing to join the WTO (*Arab News* 05.07.09).

A few days later, the Saudi authority responded to this demand, reflecting an awareness of the interests of Saudi businesses. The authority also promised to tackle the issue. In light of a strong bilateral relation with China, SABIC announced that it would find a

solution for this anti-dumping problem. Saudi delegations reportedly went to China that month to discuss the issue (*Chinese Business News* 07.07.09).

On December 24, 2009, the Chinese government imposed an anti-dumping duty on Saudi 1,4-butanediol (BDO), an important element in producing plastic-like elastic fibre. The duty was between 4.5 and 13.6 percent (*Oil Daily* 12.01.10). The reason for this imposition was that Chinese industry had been affected by the low-cost Saudi petrochemicals made from ethane.

As of January 2010, no solution for the petrochemical issue had emerged despite the fact that government-to-government relations ran deep. The officials of the two countries preferred a negotiation approach to a legal one, which would involve bringing the case to the court. China's Minister of Commerce, Chen Deming, and Saudi Minister of Finance, Ibrahim al-Assaf, had a discussion, but were not able to reach a settlement concerning the anti-dumping dispute. Al-Assaf commented that a discussion of this matter would continue (*Qatar News Agency* 11.01.10). Al-Assaf further stressed, 'We want to solve all conflicts amicably without going to court' (*ArabianBusiness.com* 10.01.10).

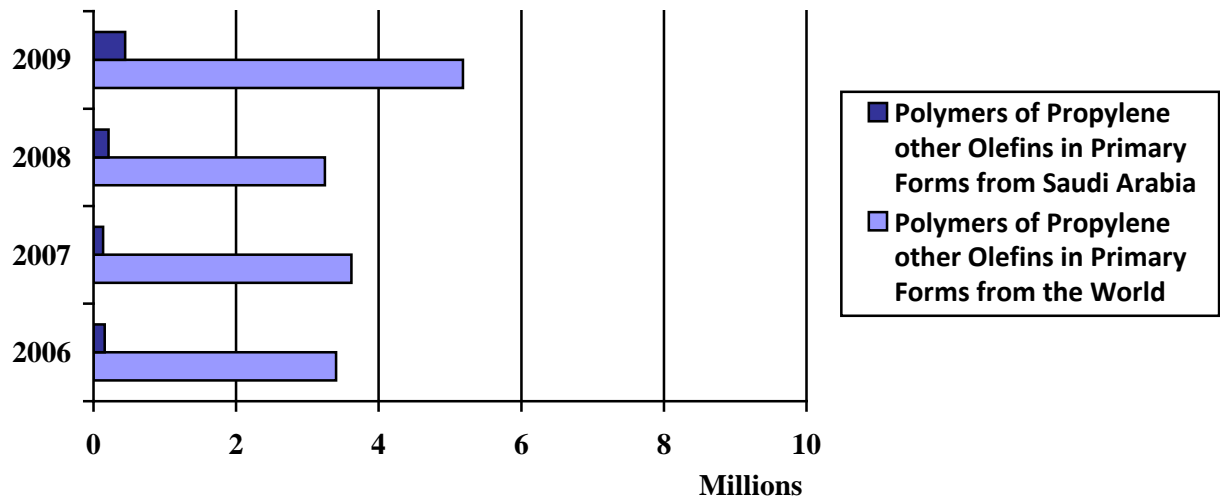
The assessment will now focus on the trading of petrochemical products between the two countries. As seen in the previous period (2001-2005), China imported more polymers of ethylene than it did polymers of propylene from Saudi Arabia. The same trend also continued from 2006 to 2009 in which the import volume of the polymers of ethylene exceeded the import volume of the polymers of propylene by 201 percent (1.9 million ton). Saudi polymers of ethylene accounted for a significant share of the total imports figure of ethylene – 12.2 percent (Table 5.19, Graph 5.19 (b)). In contrast, Saudi polymers of propylene merely contributed 6.1 percent to the total import figure of propylene (Table 5.19, Graph 5.19 (a)). This development suggests that Saudi Arabia retained its efforts to become one of the major exporters of polymers of ethylene to the Chinese market.

Table 5.19: China's Petrochemicals Import from the World and Saudi Arabia, 2006-2009 (tonnes)

	Polymers of Propylene and other Olefins in Primary Forms from the World	Polymers of Propylene and other Olefins in Primary Forms from Saudi Arabia	Polymers of Ethylene in Primary Forms from the World	Polymers of Ethylene in Primary Forms from Saudi Arabia
2006	3,401,704	157,261	5,323,753	790,056
2007	3,618,038	134,628	5,060,689	667,591
2008	3,246,427	208,472	4,959,266	554,989
2009	5,182,417	445,854	8,080,264	835,071
Total	15,448,586	946,215	23,423,972	2,847,707

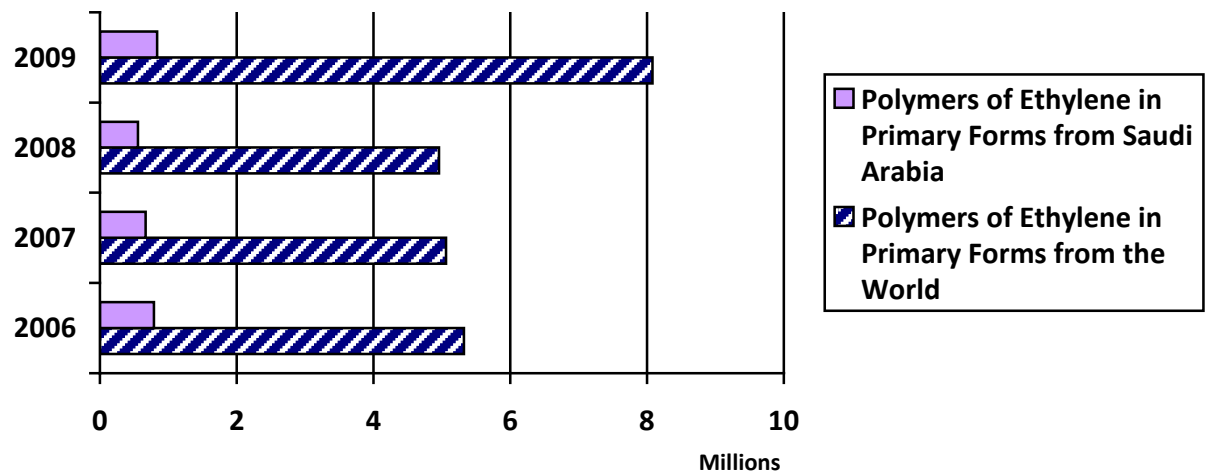
Source: United Nations Statistic Division

Graph 5.19 (a): China's Import of Polymers of Propylene from the World, and Saudi Arabia, 2006-2009 (Millions Tonnes)



Source: United Nations Statistic Division

Graph 5.19(b): China's Import of Polymers of Ethylene from the World, and Saudi Arabia, 2006-2009 (Millions Tonnes)



Source: United Nations Statistic Division

Non-Petrochemical Sector

There was a significant improvement in the range of non-petrochemical goods in Sino-Saudi trade, from basic goods to more sophisticated and highly technological products. This development was important because it showed a strengthened presence of other categories of Chinese exports in the Saudi market. It also the acceptance of Chinese exports by the Saudi population. In 2007, for example, Yuchai Group, a Chinese company, received an order to export 1,000 diesel engines (YC6A260-20) to Saudi Arabia for use in Jianghuai passenger vehicles (*Xinhua Economic News Service* 04.07.07). In the same year, five models of Chery Automobile were launched in Riyadh: Chery A5, Chery Easter, Chery V% and the SUV Chery Tiggo. Chery Automobile was one of the biggest passenger carmakers of China and its distributor in Saudi Arabia was First Motors Company.

Chinese bus companies continued to secure their market in the Saudi transportation sector. In May 2006, the Kingdom bought two buses (each costing CNY 1 million) from Youngman Automotive Group Co., Ltd, China's biggest exporter of luxury buses (*SinoCast China Business Daily News* 21.11.07). On April 13, 2008, Zhongtong Bus Holding Co., Ltd. and a Saudi company signed a contract to purchase buses totalling USD 64 million. In the following month, this Saudi company paid 10 percent of contract's value, which included an export of 1600 city buses, to the Kingdom. The remaining transports included in this contract were 'school buses and pilgrimage vehicles'. Both companies, however, had been involved in such deals since 2005 (*SinoCast* 21.05.08).

Similar to the businesses in the transportation market, several Chinese companies also met the demand for computer equipment as well as the technology market of Saudi Arabia. In August 2009, Saudi Telecom ordered Primeton EOS from Primeton Technologies, a company based in Shanghai. The Primeton EOS was described as 'a

family product that forms a middleware platform for building, testing, running as well as monitoring web-based enterprise application software' (*SinoCast* 10.08.09). In December of the same year, Saudi Arabia received a high performance server from Inspur Group, a Shandong based company. This was apparently the first export of such a product to a foreign market (*Chinese Business News* 07.12.09).

5.4.2.3 Mutual Investments in the Hydrocarbon Sector: Extraction, Refining, Marketing and Downstream Processes

The Sino-Saudi mutual investments in the hydrocarbon sector are identified in the Quanzhou refining and petrochemical project and the natural gas exploration in Rub' Al-Khali, Saudi Arabia. There is also a potential joint venture in the Qingdao refining project. Quanzhou refining and petrochemical plant began its operation in 2009; gas exploration in Rub' Al-Khali pursued another three years of drilling since its first operation began in 2005; and a joint venture in the Qingdao refining project was still caught up in the negotiation process.

SABIC has been tightening its leverage in the Chinese petrochemical sector. This is evidenced by its successful performance in the Tianjin joint venture petrochemical project and its minor yet crucial role with the Quanzhou refinery and petrochemical plant. The potential cooperation of Saudi and Chinese petrochemical firms in the Dalian project, however, was affected by the economic policy of the government. Retrospectively, SABIC has been expanding its business in China since the 1980s. It supplied China's customers with 'fertilizers, synthetic fibers, iron, steel and plastic products'. Now, SABIC aims to improve its presence and even broaden its expansion in China's market (*Middle East Company News Wire* 23.04.06).

An analysis of the Sino-Saudi hydrocarbon projects from the years 2006 to 2010 will substantially concentrate on the progress that had been made by Saudi ARAMCO, SABIC, Sinopec and Dalian Shide.

Quanzhou Refining and Petrochemical Project (Fujian Province)

Table 5.20: Quanzhou Refining and Petrochemical Project (Fujian Province)

<i>Year</i>	<i>Activities /Achievements</i>
February and March 2007	<ul style="list-style-type: none">• Sinopec, Saudi ARAMCO and ExxonMobil concluded a final contract with an investment of USD 4.5 billion.• The Chinese government officially approved this project and two business licenses were granted.
July 2008	<ul style="list-style-type: none">• ‘A mutual cooperation agreement’ was signed between Sino Saudi Aramco Company Ltd (a subsidiary of Saudi ARAMCO) and SABIC Shenzhen Trading Company Ltd (a subsidiary of SABIC in the PRC).
November 2009	<ul style="list-style-type: none">• The commercial and full operation of the Quanzhou refining and petrochemical project began.

The above table outlines the progress of the joint venture project in Quanzhou in the period between 2006 and 2009. The progress was smooth and substantial. In 2007, the parties of the joint venture agreed on an increase of the share by USD 1 billion. They received two licences from the Chinese government; one for production and another one for marketing activities. At the end of 2009, the project came online and created great opportunities for the partners of the joint venture. In reassessing the achievements of the project in the period from 2001 to 2005, these partners engaged in a joint feasibility study and newly proposed plans. Of all these efforts, the most crucial development was the commencement of the construction of the plant.

The FPCL (owned by Sinopec and Fujian government), Saudi ARAMCO and ExxonMobil successfully established two joint venture companies for the Quanzhou project. With the formation of these two companies, they were going to expand their

function from production activities to marketing operations. Moreover, the shares not only had a positive impact on their partnership but also offered Sinopec a more dominant position in the project.

The first joint venture company was the Fujian Refining and Petrochemical Co. Ltd. The FPCL acquired 50 percent of the stake and ExxonMobil and Saudi ARAMCO equally shared another 50 percent of the stake. In February 2007, the FPCL, Saudi ARAMCO and ExxonMobil reached an agreement on the term of the final contract for this project. A significant change was identified in relation to an increase in volume of investment needed for the project. There were two factors that drove this increase of the volume of investment, from USD 3.5 billion (this amount was agreed upon in the previous preliminary agreement of August 2004) to USD 4.5 billion (*China Knowledge Newswire* 27.02.07). These were the rising cost of labour and raw materials and the proposed development of a 700,000 tonne per year paraxylene facility (*South China Morning Post* 27.02.07).

The second joint venture company was Sinopec SenMei (Fujian) Petroleum Co. Ltd. in which Sinopec had 55 percent of the stake, while ExxonMobil and Saudi ARAMCO shared the remaining 45 percent (*Xinhua Economic News Service* 30.05.09). Sinopec SenMei (Fujian) Petroleum Co. Ltd. would undertake a marketing project that was worth USD 600 million. As part of the project, hundreds of petrol stations in Fujian province would be rebranded.

In 2007, an official approval from the Chinese government was granted and two business licenses were given to above-mentioned joint venture companies: Fujian Refining and Petrochemical Co. Ltd. and Sinopec SenMei (Fujian) Petroleum Co. Ltd. (*Middle East Company News Wire* 31.03.07).

The USD 4.5 billion investment (a sum that represented the value of investment for the refining and petrochemical complex and excluded the petrol stations' project) reflected the mega-construction of world-class refining and petrochemical facilities. It expanded the existing refinery from 80,000 bpd to 240,000 bpd. The project also consisted of the following units: 'an 800,000 tonnes-per-year ethylene steam cracker, an 800,000 tonnes-per-year polyethylene unit, a 400,000 tonnes-per-year polypropylene unit and an aromatics complex to produce 700,000 tons-per-year of paraxylene.' Other facilities like 'a 300,000-tonne crude berth and power co-generation' were also constructed (*China Energy Weekly* 28.02.07). These highly advanced technological facilities would enable the joint venture company to increase production capacity and target a huge market for both refinery and petrochemical products.

The Quanzhou refining and petrochemical plant that was built at Quangang (in Quanzhou city) with an expected annual sales revenue of more than CYN 60 billion (*Sinocast* 31.08.09) was very progressive. Its trial production, including the testing of the extruders and reactors in June 2009, had been completed a few months before the commercial production started. Five months later, on November 11, 2009, the commercial and full operation of this plant began. For the petrochemical plant, the production rates would be adjusted based on the market conditions. Not only did the production from this plant serve as an incentive to China's petrochemical industry, but it also managed to meet the escalating demand of chemical products in the region.

Among the positive implications of the Quanzhou integrated project was the establishment of a cooperative effort between the subsidiaries of two Saudi giant companies: Sino Saudi ARAMCO Company Ltd (a subsidiary of Saudi ARAMCO) and SABIC Shenzhen Trading Company Ltd. (a subsidiary of SABIC in China). This was the only project in China, so far, that the two companies had built in cooperation. The agreement that these two companies had created marked the integration between two businesses of different backgrounds and from different industries, namely the petrochemical industry and the oil industry. It also showed that Saudi Arabia wanted to

build a strong presence in China's petrochemical industry. On July 12, 2008, these companies reached 'a mutual cooperation agreement' in the Saudi ARAMCO office in Dhahran. The SABIC subsidiary agreed to market the Polyolefin products of Saudi ARAMCO. These products would be produced when the Quanzhou project completed. With a 25 percent share in Fujian Refining and Petrochemical Co. Ltd., Saudi ARAMCO's products were estimated at 320,000 metric tonnes annually (*MENA Reports* 13.07.08). Saudi ARAMCO was the principal supplier of crude oil for the project. The representatives for the signing of this agreement were Khalid G. Buainain, Saudi ARAMCO's Sr. Vice President of Refining, Marketing and International Operations and Eng. Mutlaq Al-Morished, SABIC's Vice President, Corporate Finance.

In view of the above initiative, Saudi ARAMCO not only distributed the benefits of this project to another Saudi company, but also provided room for the latter to enhance its expertise and experience in the Chinese petrochemical market. The cooperation of the two subsidiaries would, moreover, enhance the merit of Saudi Arabian investment at the local and international levels. It also laid the basis for more cooperation in the future. Mohamed al-Mady considered this move to be 'an extra relative advantage for SABIC'. More than just marketing polyolefins, SABIC would also support and promote Saudi investment in foreign countries. Al-Mady also commented, 'We believe this cooperation between Saudi ARAMCO and SABIC will, in the future, add value to the Kingdom's internal and external investments (*MENA Reports* 13.07.08). He also hoped that this agreement would encourage further collaboration between the two companies, stating, 'I look forward to this agreement to serve as a launching pad for more extensive strategic cooperation between the two companies' (*MENA Reports* 13.07.08).

The Quanzhou refining and petrochemical project created a synergy for the joint venture companies, as well as elevated the cost and the risk of their businesses. The parties in this venture were well matched because each had its own distinctive capabilities and expertise. These advantages would serve as a huge benefit to the Chinese petrochemical sector. The Chairman of ExxonMobil (China) Investment Co., Ltd., P.C. Tan, stated, 'the

Fujian Government brings local knowledge and support; Sinopec an intimate understanding of the Chinese market; Saudi ARAMCO the reliability of crude supply; and ExxonMobil operations expertise, management systems, financial discipline and technological know-how' (*China Energy Weekly* 20.10.06). Regarding the reliability of Saudi ARAMCO as the principal supplier of crude oil for Quanzhou project, the first cargo that shipped 900,000 barrels of Arab Extra Light arrived in China on February 16, 2009. The Director of Asia Joint Venture Development of Saudi ARAMCO Ibrahim al-Buainain commented on this progress, 'The arrival of the Arabian crude oil...signifies Saudi ARAMCO's supply commitment as a shareholder' (*Reuters* 25.02.09)

The Chairman and Chief Executive Officer of Exxon Mobil Corporation, Rex W. Tillerson, stressed the reasons that this integrated refining and chemical project was economically strategic and cost effective. First, there was 'the synergy of feedstocks: refining streams are used as feedstock in the production of petrochemicals while by-products from the chemicals' facilities are sent back to the refinery for conversion to high-value products, like motor fuels.' Second was the maximization of 'operating flexibility' and the securing of 'associated cost savings' (*Business Wire* 11.11.09).

The Quanzhou project was a landmark for future collaboration and a long-term relationship. A few months after this project came into operation, the Chinese company tabled a new proposal. There was the likelihood that the same companies of the existing joint venture would extend their cooperation for the proposed project. At the beginning of 2010, Sinopec planned for the expansion of the existing integrated oil refinery and petrochemical complex in Quanzhou. There was a possibility that this project would involve ExxonMobil and Saudi ARAMCO. A feasibility study of this project had been conducted (*Business Daily Update* 09.03.10).

Table 5.21: Qingdao Refining Project (Shandong Province)

<i>Year</i>	<i>Activities / Achievements</i>
May 2005	<ul style="list-style-type: none">• The construction of Qingdao Refinery Project began with a sum of USD 1.21 billion. Saudi ARAMCO had not yet engaged in this project.
April 2006	<ul style="list-style-type: none">• President Hu Jintao's state visit to Saudi Arabia accelerated the negotiation process between Saudi ARAMCO and Sinopec.
2007 - 2010	<ul style="list-style-type: none">• The negotiation process continued.

The above table indicates the progress that Saudi ARAMCO and Sinopec have made towards Qingdao refinery project. The period from 2006 to 2010 witnessed a continuation of a series of negotiations between the two companies. In 2006, when President Hu Jintao made a state visit to Saudi Arabia, these companies seemed to revitalize the negotiation process. One of the factors that explained why Saudi ARAMCO delayed the formation of joint venture was China's policy in regards to the price of oil products. In 2009, China's authority modified this policy, yet the talks were still occurring between these companies. This progress, therefore, was not much different from the development in the period between 2001 and 2005, when the companies were continually engaging in the negotiation process.

The construction of the Qingdao Refinery Project began in May 2005 with a total investment of USD 1.21 billion. At this stage, only three local companies had invested in this project: Sinopec Corp., the Shandong International Trust Investment Company and the Qingdao International Trust Company. Sinopec Corp. acquired 85 percent of the stake (*China Energy Weekly* 28.04.06).

Although the construction began without the involvement of Saudi ARAMCO, further negotiation on the project was stressed during a state visit from China's president. The Saudi and Chinese national oil companies seemed to be more serious in the joint venture effort since this visit had concluded an agreement on strategic oil reserves. Saudi ARAMCO, however, did not rush into the decision of participating in this project. During a visit from President Hu Jintao to Riyadh in April 2006, Saudi ARAMCO and Sinopec agreed to have a deep discussion on the involvement of Saudi ARAMCO in the Qingdao Refinery Project. Saudi ARAMCO was expected to buy 25 percent of the stake of Sinopec Qingdao Refining & Chemical Co., Ltd. However, Saudi ARAMCO was still negotiating with Sinopec though the construction of this project was completed in January 2008, and its operation came on stream in the middle of the same year. The ongoing negotiation was due to the concern of Saudi ARAMCO on the impact of China's oil price system on its business. Sinopec Planning Director, Lei Dianwu, stated, 'Saudi Arabia is willing to supply us with crude. They may participate in investing in the refinery when domestic Chinese refined oil prices are at appropriate levels' (*International Oil Daily* 28.05.08). This issue, apparently, held up the negotiation for several months.

Not until November 2009 did the discussion between Saudi ARAMCO and Sinopec resume. This move was a response to a new policy on the price of oil products introduced by China's government in January of the same year (*Xinhua Economic News Service* 12.11.09). The change of policy, however, did not immediately result in Saudi ARAMCO purchasing stake in the project. In 2010, Saudi ARAMCO was still considering the purchasing of stake in the Qingdao project, and an ongoing negotiation of joint venture between Saudi ARAMCO and Sinopec ensued (*Platts Oilgram News* 13.05.10). At this stage, the reason for the negotiation was not known.

Saudi ARAMCO and Sinopec could benefit from a number of mutual gains were this partnership to be established. Among these gains are an assurance of uninterrupted crude oil supply and the availability of facilities that could smoothly transport and process

Saudi oil. Firstly, an oil supply to Qingdao refinery could be sustained. The Chairman of Sinopec, Su Shulin, contended that a steady flow of crude oil supply to Qingdao refinery could be guaranteed once a partnership with Saudi ARAMCO is formed (*Platts Oilgram News* 30.03.10). Secondly, an opportunity for Saudi ARAMCO to be part of the refining activities and business in China would be expanded. Qingdao refinery will become the second investment of Saudi ARAMCO in China's refinery sector. This refinery plant is designed with the aim of refining Saudi light crude. It is expected to refine '10 million tonnes of import crude oil' and to produce '7.6 million tonnes of finished oil and one million tonnes of chemical light oil' (*SinoCast* 09.03.07). Finally, there is the strategic location of the Qingdao refinery, which is linked to Huangdao Port and the country's oil reserve depot. These facilities, therefore, will provide this refinery easy access to oil from overseas producers (*SinoCast* 27.11.06).

Gas Exploration in Rub' Al-Khali

Saudi Arabia is ranked as having the fourth largest gas reserve in the world. Driven by domestic demand, especially from the petrochemical sector, Saudi Arabia opened its upstream activities of non-associated gas to foreign companies in 2001. In the period from 2001 to 2005, a joint venture company between Sinopec Group and Saudi ARAMCO was set up and known as Sino-Saudi Gas. In this consortium, Sinopec Group and Saudi ARAMCO hold 80 percent and 20 percent of shares respectively (*Middle East Energy, Oil and Gas News Wire* 18.06.09). Between 2006 and 2010, more development could be seen in the joint venture project. The drilling of gas wells began and was resumed even after the consortium had identified that the product found had no commercial value.

In November 2005, Sino Saudi Gas began its drilling in the Sheeh-2 well. It was 'the first of seven wildcat wells' that had been agreed upon and authorized for the company (*International Oil Daily* 02.10.06). In June 2009 (almost four years later), the Sino Saudi

Gas was exploring the seventh and final well of natural gas. It was estimated that the drilling would end by October 2009.

The gas exploration was a high risk project for Sino Saudi Gas. When the result of this exploration was known to be discouraging, the two joint venture companies had to bear the high cost of the project. Six wells had been explored, and yet they were not profitable due to economic factors. As mentioned in the *Middle East Energy, Oil and Gas News Wire*, these wells produced 'no flows of commercial value, partly due to low gas price'. This could be further explained by the discovery of a small amount of gas with no commercial value. The gas price in the Kingdom was cheap and fixed to 75 cent per million Btu (*Oil Daily* 26.10.10). The exploration cost was another factor in that it went beyond an early target of USD 300 million (*Middle East Energy, Oil and Gas News Wire* 18.07.09).

The two companies, despite the disappointing result of the first period of gas exploration, pressed the project ahead. After five years of gas exploration in Rub' al-Khali, and with a non-commercial value for the last or the seventh drilled well, Sino-Saudi Gas continued their commitment to a second period of gas exploration in the same place. This means that this company will drill new wells for a period of another three years (*Middle East Energy, Oil and Gas News Wire* 26.10.10). This decision, which was disclosed in October 2010, was associated with several causes. Sinopec saw this move as an effort to increase its expertise in gas exploration (*BMI Middle East and Africa Oil and Gas Insights* 01.10.10). Some observers, however, argue that Sino-Saudi relations were the core reason that Sinopec retained its involvement in this gas project (*Middle East Energy, Oil and Gas News Wire* 26.10.10).

Tianjin Refining and Petrochemical Project

SABIC and Sinopec initiated their cooperation in the Tianjin petrochemical and refinery project in the mid-2000s. An examination of this topic will begin with the process of

developing this cooperation and the efforts made before the project was run. The merits of this project will also be analysed.

When China Petroleum & Chemical Corporation (Sinopec) tabled a proposal for the Tianjin petrochemical and refinery project, SABIC was not a nominated partner. Almost ten years later, SABIC, however, began getting involved in this project. This involvement was further driven by several developments concerning the initiatives of the two governments for this project, a consequence of Dalian petrochemical project and the distinctiveness of the Tianjin project. The Tianjin project was put forward in 1995 with a proposed joint venture partner, Dow Chemical. In 2002, however, Dow Chemical withdrew from taking part in the negotiation process. Since 2004, SABIC has channelled its attention on this project and begun to conduct a series of discussions concerning its participation in this joint venture. SABIC has continued to step up its efforts in this project for a number of reasons. The first was due to the approval of this project by China's authorities in December 2005. Since then, SABIC has increased its discussions with Sinopec. The second was the 2006 visit of King Abdullah and SABIC representatives to China, which later led to the resumption of this negotiation (*ICIS Chemical Business* 30.10.06).

The third was the strategic location of Tianjin. Up to the year 2006, no other foreign investments had emerged for any such projects in North-Eastern China. SABIC was the first foreign company to make an investment in this petrochemical sector. Other foreign companies, like BP, Royal Dutch Shell and Exxon Mobil, also invested in China's petrochemical projects, but only in the eastern and southern parts of the country.

Fourth was the implication of a postponement of Dalian's project. After the approval of a joint venture with Dalian Shide was delayed in 2007, SABIC developed more interest in negotiating a Tianjin joint venture with Sinopec. Its Chief Executive, Mohamed al-Mady, stated, 'We are advancing with Sinopec and working and hopefully we might have

investment...it will take time – we have not finalized any agreements but we are still working together’ (*Chemical News & Intelligence* 05.11.07).

After a four-year negotiation process, a non-legal binding agreement was reached between the two companies. This agreement implied that SABIC would very soon become Sinopec’s partner. Since the joint venture company would be based on an equal share, SABIC was prepared to expand its role and offer a new petrochemical product for this project. SABIC was also willing to share its technology with Sinopec. In an effort to set up a ‘joint venture company’, both parties concluded HOA on January 31, 2008, which led to the establishment of a joint venture company. The company was named SINOPEC SABIC Tianjin Petrochemical Co., Ltd., and had a ‘50:50 equal share’. Five months later, a strategic cooperation agreement was concluded between SABIC and Sinopec in Jeddah. This agreement emphasized the scope of partnership in the construction of Tianjin industrial complex, extending it to an earlier scope, which appeared in the Heads of Agreement (HOA) signing on January 31, 2008. With this new scope, SABIC was expected to introduce polycarbonates (a new product that would use SABIC Innovative Plastic Technology and utilize raw material that was produced at Tianjin complex) (*AME Info – ME Company Newswire* 22.06.08). The signatories of this agreement were the Chairman of the Royal Commission for Jubail and Yanbu, the SABIC Board Chairman, Prince Saud bin Abdullah bin Thenayan al-Saud, and Sinopec Board Chairman Su Shulin.

It took five years for China’s economic planner to assess and agree to the establishment of the SABIC-Sinopec partnership. In 2009, the Chinese National Development and Reform Commission (NDRC) approved the participation of SABIC in the Tianjin petrochemical complex that was being constructed (*Saudi Economic Survey* 19.07.09).

Sinopec and SABIC invested billions of dollars because they wanted to produce a wide range of petrochemical products. The overall cost of the Tianjin petrochemical project

was USD 2.7 billion. Its petrochemical complex was expected to produce 3.2 million tonnes per year of chemical products: polyethylene, ethylene glycol, polypropylene, butadiene, phenol, and butane-1, and one million tonnes of ethylene. It was said that ethylene cracker, eight downstream units and other facilities were tested and ready for operation (*Saudi Economic Survey* 16.11.09). It is worth mentioning here that the Tianjin project also included the expansion of an oil refinery complex. Only two companies joined this refinery project: Sinopec Group, and Rosneft (a Russian oil and gas company).

After waiting seven months to get an approval from China's authority, the two companies agreed to inject billions of Yuan into this plant. The strengthening of financial capability resulted in the smooth running of the project, which eventually came on stream in 2010. In a press conference in January 2010 in Riyadh, Mohamed al-Mady revealed a financing contract that had been inked between SABIC and Sinopec. Both parties had agreed on a 'long-term loan of CNY 12.26 billion in total and short-term working capital of CNY 9 billion' which was directed to this petrochemical complex (*SinoCast* 21.01.10). On May 11, 2010, this petrochemical complex began running its commercial production, and full operation began in August 2010.

Before a full operation of the plant could begin, the producers and buyers of Tianjin petrochemical products were bound by an agreement: Sinopec and SABIC targeted the local firms as their customers. The two companies efficiently managed their marketing strategy, presumably to reduce market competition. In July 2010, SABIC signed a MoU with eight companies from China. With this RMB 6 billion MoU, SABIC agreed to sell the chemical products from the Tianjin petrochemical plant to these companies (*China Knowledge Newswires* 20.07.10). SABIC's Vice President of Polymers, Khaled al-Mana, stressed that a majority of petrochemical products from the Tianjin plant would be sold in China.

SABIC's involvement in China's petrochemical industry was growing significantly. Its Chairman voiced his confidence and praised the positive implications of this venture. The Tianjin project, to some extent, helped SABIC to reach its production target. It was also seen as a starting point for subsequent collaboration between the two national petrochemical companies and a means of enabling these companies to produce better products. As the first joint venture project of SABIC in China, Mohamed al-Mady saw the Tianjin project as a sign of SABIC's business expansion in this country. SABIC needed more petrochemical plants in order to achieve its target of producing 130 million tonnes of petrochemical products by 2020. Al-Mady expected that more joint ventures could be reached in the future; thus, a strong relationship could be established between SABIC and Sinopec. One example of potential future collaboration was a plan to develop a polycarbonate (PC) manufacturing unit in the Tianjin plant. This unit could produce 230,000 m.t./year of PC, and would use the technology of SABIC Innovative Plastic subsidiary. The operation of this unit was expected to begin in 2014.

The Tianjin petrochemical plant not only promised a tremendous outcome to SABIC and Sinopec, but also offered additional benefits to the local industry and province. When there was an enormous contribution to the economic development of the surrounding areas, the results of this project were seen to benefit the home country. The Sinopec-SABIC joint venture in Tianjin would improve the chlorine-alkaline industry in Tianjin, and spur the economic growth of Tianjin municipality and New Binhai. An early estimation showed that this project would increase Tianjin's annual GDP by more than four percent and create a RMB 100 billion (USD 14.8 billion) investment in downstream and related industries (*Oil & Gas News* 06.12.09).

Dalian Petrochemical Project (Liaoning Province)

The Dalian project was an integrated oil refining and petrochemical plant. SABIC was expected to install ethylene equipment, while the Dalian Shide group would be responsible for the installation of the oil refining facility. This joint venture would require

an investment of USD 5.2 billion (*SinoCast China Financial Watch* 17.05.06). From 2001 to 2005, negotiations on this project were held between the two companies, and from 2006 to 2010 there was a delay on the approval of this project. SABIC began to seek other petrochemical projects with Sinopec.

In 2006, the joint venture of Dalian petrochemical project was being considered at the governmental level. All parties involved in the negotiation process of this project were looking forward to the decision of the home government. SABIC and the Dalian Shide Group Co. were still waiting on an approval from China's central government for the joint venture of the petrochemical project in Dalian, located in the north eastern Liaoning province. Mohamed al-Mady stated, 'We have finalized the last prerequisites for investment with Shide and are waiting for government approval'. Al-Mady also mentioned the possibility of SABIC acquiring 50 percent of the stake (*Chemical Week* 24.05.06). For the time being, no agreement related to the equity distribution had been reached.

Apparently, there was an obstacle to the approval of this joint venture. This obstacle was associated with a Chinese government policy regarding the country's economic development. The policy was based on the 11th Five-Year plan (2006-2010) wherein only one large-scale ethylene project was allowed per region. At that time, the Chinese government had already approved an 800,000 tonne ethylene project in the city of Fushun, (Liaoning province), which was managed by PetroChina Fushun Petrochemical Corp. (*China Energy Weekly* 19.05.06).

In 2007, no progress had been made on the Dalian project due to a deceleration of the approval process by the Chinese government. At this stage, SABIC had been waiting 18 months for this result. This was a pressing challenge, yet SABIC did not give up. As a dynamic and ambitious company, SABIC had an alternative option for the time-consuming Dalian project. It continued acquiring other joint venture petrochemical

projects with Sinopec. SABIC Chairman Prince Saud bin Abdullah bin Thunayan al-Saud said that in the event that approval was being delayed, SABIC might search for another location for its petrochemical project. SABIC was also seen to shift its attention to a possible joint venture in the Tianjin project led by Sinopec. Al-Mady said, 'We are advancing with Sinopec and working together and hopefully we might have investment,' (*Chemical News & Intelligence* 23.10.07). SABIC's relentless efforts were eventually rewarded when it signed a Heads of Agreement (HOA) with Sinopec for the Tianjin petrochemical project in 2008.

In discussing SABIC-Dalian Shide project, several reports in 2009 and 2010 repeatedly emphasized that SABIC had not yet attained the Chinese government's approval. However, no reasons were given for this situation. Yet, as earlier mentioned the obstacle was the Chinese economic development policy that allowed only one ethylene project in a region.

5.4.2.4 Mutual Investment in the Non-Hydrocarbon Sector: Manufacturing and Service

The state-owned and private companies of China have grown and even broadened their investment activities in Saudi Arabia. This achievement, to some extent, is a result of a high level of commitment and active promotion led by a particular Saudi governmental agency. Having a bigger role in promoting Saudi Arabia as a strategic investment hub, the Saudi Arabian General Investment Authority (SAGIA) is responsible for bringing foreign investment into the country. In the context of China, SAGIA pledged to materialize the vision of King Abdullah in bolstering the bilateral links between the two countries. SAGIA made itself available and accessible to Chinese investors by opening its Representative Office in Hong Kong in May 2006. Moreover, during the BusinessWEEK Tenth Annual CEO Forum, held in November 2006 in Beijing, SAGIA used this avenue in promoting Saudi Arabia as an important location for China's investment (*Middle East Company News Wire* 12.09.06).

In this section, the growing investment of China companies in Saudi Arabia is analysed through a number of projects. Although the role of SAGIA has not been mentioned in these projects, its official function of extending advice to foreign investors should not be overlooked. In its website, SAGIA has clearly stated one of its major functions, ‘offering everything from advice on organising visas and building regulations, to financing and legal support’ (SAGIA 2010).

The investments of Chinese companies in the economic sectors (excluding energy and petrochemical sectors) of Saudi Arabia increased from the years 2006 to 2010. Four Chinese companies invested billions of dollars in the aluminium and steel projects in Jizan Economic City (JEC) of Saudi Arabia. Other Chinese companies also expanded their business operations through mutual investments in the logistics and mining industries. There were also individual investors from China and Saudi Arabia who jointly invested in the construction of China Mart in the Kingdom. The analysis on the development of these projects will be presented in the following sub-sections.

China’s Investment in Jizan Economic City (JEC), Saudi Arabia

Four Chinese companies invested in the development of the industrial sector of Jizan Economic City in the southwest area of Saudi Arabia. The first company was Aluminum Corporation of China Limited (Chalco), the biggest alumina and primary aluminium producer in China. The second and the third companies were China National Machinery Industry Corporation (Sinomach) and China Non-ferrous Metal Industry’s Foreign Engineering & Construction Co., Ltd. (NFC) respectively. These companies entered into investment agreements of aluminium smelters in this economic city. The fourth company was Hebei Iron and Steel Group Company Limited (Hebei). It contributed to the development of the steel industry in JEC.

The construction of two aluminium smelters in JEC was granted to three Chinese companies. With an estimation of USD 3.6 billion, the first smelter would be built by Sino-Saudi Jizan Aluminium Limited, a consortium that incorporated three companies: Chalco, MMC International Holdings Limited and Saudi Binladin Group (SBG). (*Middle East Magnet* September 2009). MMC International Holdings Limited (a Malaysian company) and SBG were the main developers of the JEC. Choosing a top Chinese aluminium company for the development of aluminium smelter plants would enable the sharing of expertise, technology and resources.

A historical development of this cooperation began at the end of 2007. Through a number of important steps, the consortium was set up in which the Saudi and Chinese companies had an equal share except for the Malaysian company. These companies invited another Chinese firm into the project that would be responsible in the construction of a supporting infrastructure. The project began with the signing of a preliminary MoU on October 4, 2007. It was then followed by a framework agreement on November 24 of the same year. In this agreement, these companies agreed 'to develop, own and operate an aluminium smelter' in JEC. The production capacity of this smelter was estimated at one million tonnes per year. The agreement also outlined the allocation of shares: Chalco (40 percent), SBG (40 percent) and MMC (20 percent) (*Middle East Magnet*. 2009) (note: Chalco was the largest stakeholder in this project). In 2008, a feasibility study of this smelter was being conducted. Also, in this year, the consortium chose China's CPI Power Engineering as a contractor for the building of a 2,400 MW captive power plant of this aluminium smelter (*Arab News* 29.12.08). In 2010, the call for the design and construction of the smelter was made. At this stage, the technical feasibility study continued (*Project Information*. 01.06.10) and the construction of the consortium project had not yet commenced.

The second smelter would be built by Sino-Saudis Western Way for Industrial Development Company. The partners of this joint venture company were two Chinese companies and one local firm: Western Way for Industrial Development Company

Limited (WWIDC – a Saudi company), China National Machinery Industry Corporation (Sinomach), and China Non-ferrous Metal Industry's Foreign Engineering & Construction Co., Ltd. (NFC). They reached a framework agreement in April 2007. The Chinese companies were to share their technical and operational experience and engage in technology transfer. They were also expected to have a strong presence in this project.

A huge amount of assets would be allocated for this project because it aimed to build facilities that could support a large-scale production. WWIDC, Sinomach and NFC would engage in the construction of alumina and electrolytic aluminium smelter with an estimated production capacity of 1.6 million tonnes of alumina, and 660,000 - 700,000 tonnes of aluminium. The construction of docks and power plant were also part of the project (*Xinhua Financial News* 25.05.07). The cost of the project was USD 5 billion, and had three phases of construction. The role of Sinomach in this project was to design, construct, operate, and transfer the technology to this project (*Sinocast China Business Daily News* 27.04.07).

This project was considered as 'one of the biggest deals between China and the Middle Eastern country' (*Wall Street Journal* 20.04.07). This was assured by the Governor of SAGIA, Amr al-Dabbagh, who claimed this project to be the biggest Chinese investment in the region (*AFX International Focus* 20.04.07).

Like the first smelter project, the construction of the second smelter was still at the initial stage, and no construction activity was observed. In 2008, WWIDC was in a negotiation with the Saudi Ministry of Petroleum on the fuel allocation of 'the smelter's captive oil-fired power station' (*Mining & Metals* 2008). In 2009, the project required 'the design, supply, installation and operation of an integrated 1.6 million tonne per year alumina refinery and a 1 million tonne per year aluminium smelter'. The project was expected to start its operation in February 2013 (*Project Information* 01.06.09).

Unlike the two above-mentioned aluminium projects, the value of mutual investment between Hebei and Pan Kingdom Investment Company Limited (a Saudi based company) was far lower. With a USD 500 million investment, the two companies would develop an integrated steel industry project. As the biggest steelmaker in China, Hebei believed that this project would improve its global competitiveness and its ability to offer good energy prices. As its President stated, ‘This is our maiden project outside China and this investment will enable us to leverage on JEC’s attractively-priced energy and compete more effectively in the global steel market’ (Jazan Economic City 2008).

An incentive was offered to investors in JEC that would presumably help reduce the cost of their project. The Kingdom planned to subsidize the cost of the fuel that would be used in the new plants in JEC. If this plan was implemented, the factories in JEC would enjoy a cheap rate of electricity for the duration of 25 years (*UPI Energy* 13.05.08).

China Mart in Riyadh

The Saudi and Chinese businessmen undertook an ambitious initiative by setting up a joint venture company. They invested in a project that offered an avenue for Chinese producers to market their goods and for Saudi customers to access and enjoy a variety of made-in-China products. This project was one of the business modes where the demand for the Chinese goods in Saudi market could be met. A large number of China’s businessmen, moreover, would have the opportunity to deal closely with their Saudi customers. Saudi businessman Sheikh Abdul Aziz al-Kridis and his Chinese counterpart Wei Shiming formed a joint venture company, Chinese Competitive Spirit, in November 2008. Al-Kridis was the Chairman, while Shiming was the CEO of the company. In the same year, the company intended to build ‘China Mart’ in Saudi Arabia at a cost of USD 80 million. China Mart was a market that offered a wide range of products from China. A total of 250 China’s companies from 12 different sectors would open their shops in this market. At one point, the company was negotiating with several other companies, looking for a site that covered more than 100,000 square meters. The opening of this market was

expected to be in the third quarter of 2009, and would attract wholesalers and retailers in the Kingdom (*MENA English* 20.11.08). The market, however, was opened in Riyadh in November 2010. This was the first project successfully developed by Chinese Competitive Spirit (*Middle East Retails News Wire* 02.11.10).

Logistics Industry of Saudi Arabia

A Chinese and a Saudi firm formed a joint venture company whose main focus was the logistics industry of the Kingdom. The two companies seemed to have a good background of doing business in the engineering services of this industry. They also had experience of jointly engaging in this type of business before the year that the joint venture was set up. China National Foreign Trade Transportation Corporation (Sinotrans) and Al-Majdouie formed a joint venture company in Saudi Arabia. The agreement was signed on June 24, 2008. Both parties had equal share in this joint venture. Sinotrans was a company that offered logistics services in China. This agreement was Sinotrans' first joint venture in the Saudi market, while Al-Majdouie was the biggest company in the Kingdom that provided 'inland transport services'. Some cooperation between the two companies could be traced in 2005. Examples were a completion of customs clearance and the transport of equipment for the Kingdom's cement production line (*Xinhua Economic News Service* 02.07.08).

Cooper-Zinc-Gold-Silver Mining Sector of Saudi Arabia

In the period from 2006 to 2010, a Saudi company (Al-Masaneal Al-Kobra Mining Company) and two Chinese companies, China National Geological Mining Corporation (CNGM) and China Energy and Environmental Protection Group (CECEPG), concluded an agreement in the mining sector of the Kingdom. The participation of the Chinese companies in the two mining projects was broad.

In December 2007, CNGM and Al-Masaneal Al-Kobra Mining Company concluded a commercial contract for an exploration of copper, zinc, gold and silver proven reserve in Al-Masane. Although the Chinese company concentrated on the exploration activity, the area of cooperation with the Saudi company was comprehensive and extensive. The scope of this cooperation included ‘investment, management, risk undertaking and interest sharing’ (*Xinhua Economic News Service* 07.12.07). The Saudi company would deal with the investment of the project, which was worth approximately at USD 95 million. This mine is located in south western Saudi Arabia with a proven reserve of 7.2 million tonnes (*Xinhua Financial News* 26.11.07).

The same Saudi firm also collaborated with CECEPG (China’s state-owned company). The area of cooperation was inclusive, ranging from construction to production, and would be completed within six years. The value of the project was larger than the Al Masane mining project. In 2010, CECEPG and Al-Masaneal Al-Kobra Mining Co. concluded an agreement, signifying their cooperation in copper and zinc mining in Jeddah. In this agreement, the preparation and construction work of the project was 15 months, and the production would then begin and continue for the following 45 months. The cost of the project was USD 125 million (*China Business Newswire* 06.07.10).

5.4.2.5 China’s Active Involvement in the Construction Activities of Saudi Arabia

Between 2006 and 2010, Chinese companies were actively and extensively involved in the construction sector of Saudi Arabia. This dynamic could be justified by the contracts that they had secured in the Kingdom. To support their participation, the Saudi authority amended the policy concerning the bidding process for the construction contracts in the country. In the period of 2001 to 2005, the number of construction contracts was increasing, mostly concentrated in the cement industry sector of Saudi Arabia.

Chinese companies increased and strengthened their participation in the construction sector of Saudi Arabia. The volume of contracts offered to these companies was rising

and conducive to the increasing number of Chinese companies entering the industry, and involved billions of US dollars. These contracts, however, also included the contracts offered for production activities. According to China's Ambassador to Saudi Arabia H.E. Mr. Wu Chunhua, fifty-five Saudi contracts worth USD 3.4 billion were granted to Chinese companies, and this was between January 2005 to March 2006 (note: for an average calculation, three Chinese companies obtained one contract each month). These contracts involved the following fields: 'oil-related products, cement production, telecommunications, and infrastructure construction' (*Xinhua General News Service* 21.04.06). In mid-2006, contracts worth USD 400 million were signed between China and Saudi enterprises during a Chinese Guangdong-Saudi Arabia Fair Trade and Economic Cooperation. These contracts included the production of 'liquefied petroleum gas, steel tubing, clothing, light industry products, household utensils, furniture, building materials, and home appliances' (*Xinhua General News Service* 07.06.06).

The Saudi authority encouraged more participation of China's companies by speeding up their involvement in the bidding process of the construction contracts. A provision that could be seen as a way of minimising bureaucratic procedures allowed Chinese companies to have direct contact with the Saudi ministry. This also implied that the Saudi authority had given priority to and strongly welcomed the Chinese peoples' skills into the construction sector of the country. In 2007, a direct tendering of the project in Saudi Arabia was opened to the construction companies from China. This opportunity appeared in the MoU on Engineering Project Cooperation that was signed between Saudi Vice Minister of Municipal and Rural Affairs Mansour bin Motaab and China's Assistant Minister of Commerce Chen Jian. China's construction companies were given the right of direct bidding on projects offered by the Ministry of Municipal and Rural Affairs, such as the construction of roads, bridges and buildings. The years before this MoU was concluded, the Chinese companies were the subcontractors within Saudi business activities (*Xinhua General News Service* 24.06.07).

The following assessment highlights the engagement of China's firms in the major construction activities of Saudi Arabia. Those activities were diverse in form and come under the management of different consortiums. Railway construction, the cement industry, phosphate projects, telecommunication and internet service, and ports were the main construction projects that lured the business expansion of Chinese companies.

Railway Construction in Saudi Arabia

Saudi Arabia is currently improving its transportation system into a world class facility and service. Two railway expansion projects are being developed in the country: Saudi Landbridge Project and Haramain High Speed Rail Project (Saudi Railways Organization 2010).

The Saudi Landbridge Project seems to be heavily influenced by economic considerations. Upon completion, this project is expected to boost the economic development, increase the efficiency of product distribution between the east and west of the country, and ease the transportation links among major cities. Saudi Landbridge Project aims to improve the railway link between the Red Sea and the Persian Arabian Gulf. In this project, three port cities, Jeddah, Dammam and Jubail, will be linked. New lines that cover 950 km between Riyadh and Jeddah, and 115 km between Dammam and Jubail will be also built. The aims of this project are to transport a huge amount of cargo and to provide a convenient service to passengers. Cargos will be transported between the ports of Jeddah and Dammam and will then be shipped to the other Gulf States. Furthermore, the Dammam-Jubail railway will ease the transportation of cargos from the Industrial City of Jubail to other parts of the country, including Riyadh and Jeddah (Saudi Railway Organization 2010).

The second railway project seems to concentrate on providing good facilities to the Muslim visitors who come to Saudi Arabia to fulfil religious duties. The project, which involves two phases of construction, aims to facilitate the movement of a huge number of

passengers within specific areas. As a public-funded project, the Haramain High Speed Project has the objective of providing fast and convenient transport to passengers, especially for the millions of Muslims who perform *Hajj* in the two Holy Places in the Kingdom. With a 450 kilometre high-speed railway, the project will link Makkah and Madinah via Jeddah and King Abdullah Economic City. The railway is designed to serve 20,000 passengers with trains operating at 360 km per hour (*SinoCast* 12.02.09). This project involves two phases. The first phase has two packages: the first package includes the design and building of the route and the second package includes the construction of the stations; the second phase covers those not included in the first phase, such as ‘track, signaling, telecommunication, power...’ (Saudi Railway Organization 2010). The Haramain High Speed Rail Project is due to be completed by the end of 2012.

The Saudi authority and company, and the Chinese firm will be sharing and utilizing their resources and expertise in this project. The Chinese firm that is known for its expertise in building the Shanghai Maglev Rail lines has been extensively engaged in this project. Its engagement has started with the design and extends to the management of this high-speed railway. On February 11, 2009, Al Rajhi consortium, which was led by China Railway Construction Corporation (CRCC) and the Saudi authority, reached an agreement on the first phase of construction for the Haramain High Speed Project. The value of the deal was USD 1.77 billion. The construction is to be completed by the end of 2012. The CRCC will be responsible for the ‘design, procurement, construction and operation management’ of the project (*SinoCast* 12.02.09).

A month later, this project began to offer incentives to other Chinese companies, or what might be called a ‘spill-over’ effect. These companies supplied, for example, the transport that would be used in the project. The roles of the companies in accelerating the progress of the project, to some extent, reflected the importance of Chinese companies in the development of the Saudi infrastructure. In March 2009, China Railway Construction & Rolling Stock Industry (Group) Corporation reached an agreement with Changchun Railway Vehicles Co., Ltd. (CRC) to supply Saudi Arabia with ‘204 A-type high-end

subway vehicles'. The latter was a 'leading locomotive and railway vehicle maker' in China. This supply indicated the first export of metro vehicles by a Chinese producer to the Kingdom. These vehicles would be used in the 'metro line' that covered the 18.08 kilometres of railway project in the Kingdom (*SinoCast* 16.04.09).

In November 2009, the Saudi Railway Organisation (SRO) delegation visited CSR Changjiang Auto (a subsidiary of China South Locomotive & Rolling (CSR)) in Wuhan, finalizing an order of USD 100 million railway boxcar that would be utilized for the Haramain High-Speed Rail project (*Chinese Business News* 23.11.09).

To facilitate the development of the project, the Saudi government extended its full-fledged support to this project by offering a financial loan. This initiative would financially assist the Saudi-Chinese consortium. In February 2010 during a Cabinet meeting chaired by King Abdullah, the Saudi Council of Ministers directed the Public Investment Fund to provide an 'interest free loan' to the Haramain Railway project.

The Haramain High Speed Rail project moved into the next stage, which was the search for a consortium to carry out the second phase of the project. The value of the second phase project was estimated at USD 12.5 billion, which was seven times higher than the deal offered in the first phase (*TendersInfo* 06.07.10). Regarding the contract of this second phase, three consortiums (including a China consortium led by China South Locomotive Rolling Stock), however, did not participate in the bidding process.

The second phase of the project entails a substantially wider scope of work than the first phase. It concentrates on 'the establishment of the 450 km electric railroad, construction of signal and communication systems, supply of adequate number of speed trains, as well as operation and maintenance of the railway' (*Gulf News (United Arab Emirates)* 10.02.10). The SRO also offered a contract for the development of railway stations in

four locations: Makkah, Madinah, King Abdullah Economic City of Rabigh and Jeddah airport.

For China Railway Construction Corporation (CRCC), its initial success with this project was seen during the *Hajj* season of 2010. The Makkah Metro, which offered an efficient service between Mina, Arafat and Muzdalifa, came into operation during this period. With a distance of 18 kilometres, the Makkah Metro had elevated the congestion during the *Hajj* period that annually receives 2.5 millions pilgrims around the world (*The Associated Press* 14.11.10). Only Saudi and Gulf state pilgrims utilized this facility during 2010 *Hajj*, and a full operation would be carried out in the coming year. This achievement did not simply provide a world-class facility to Saudi Arabia; it also deepened the confidence of Saudi authority toward the expertise and engagement of the Chinese companies in the construction activity.

Construction of Processing Facilities in Saudi Arabian Cement Industry

In the 2000s, the cement industry of the Middle East was rapidly expanding due to the increasing market demand, mainly from Saudi Arabia and the UAE. Experiencing a massive development of new infrastructure, Saudi Arabia was called upon to improve and expand the capacity of the cement production plants in the country.

With a huge demand in the local market, Saudi cement producers had to build more production plants in the country. This development evidently demanded the heavy involvement of Chinese companies in the construction of cement production lines. In the period between 2001 and 2005, Chinese companies secured four construction contracts in the cement industry. Since some of these construction projects were completed in 2007 and 2008, Chinese companies continued to receive new contracts. These contracts were granted to Sinoma International Engineering Co., Ltd, and Chengdu Building Materials Industry Design & Research Institute (CDI) in 2009 and 2010.

In two consecutive years, Chinese companies completed the construction of two cement production lines in Saudi Arabia. The total production capacity of these lines was estimated at 11,000 tonnes per day. When these plants came into operation, an increased supply of cement would be able to alleviate the high demand of the local market. On November 13, 2007, with a contract for USD 170 million, Sinoma International Engineering Co., Ltd completed the construction of a cement production line in Riyadh. The contract was concluded in the last two years. This production line was owned by Riyadh Cement Company and had the capacity to produce 5,000 tonnes per day (*SinoCast China Business Daily News* 14.11.07). China National Building Materials & Equipment Import & Export Corporation (CNBM International) successfully completed a construction of cement production line in Saudi Arabia, which had begun in April 2006. The first operation started in February 2008. This production line was capable of producing 6,000 tonnes of cement clinkers per day (*SinoCast* 03.03.08).

In 2009 and 2010, more contracts for the construction of cement production facilities were made between Saudi and Chinese companies. Sinoma International Engineering Co. signed two contracts in 2009 and 2010, and Chengdu Building Materials Industry Design & Research Institute (CDI) obtained one contract in 2009. The constructions would be taking place in three different locations: Riyadh, Tihama and Hail. The Chinese companies would help boost the production capacity of these lines, which ranged from 5,000 tonnes to 12,000 tonnes per day. Against this backdrop, one could argue that Chinese companies had a good reputation in the construction activities of Saudi cement sector. In February 2009, Riyadh Cement Company and Sinoma International Engineering Co. (a China-based company) signed a contract for the construction of a new production line with a capacity to produce 12,000 tonnes per day (*Middle East Business Digest* 13.02.09). The two companies signed the agreement during a state visit of President Hu Jintao to Saudi Arabia. This development indicated an expansion of cooperation between the Chinese and Saudi companies from the previous project in 2007. In May of the same year, another Chinese company, Chengdu Building Materials Industry Design & Research Institute (CDI), signed an EPC contract with Saudi local

firm, Hail Cement Company. In this contract, CDI would build a clinker production line with a capacity of 5000 tonnes of cement daily (*News Bites Asian Market* 29.10.10).

In January 2010, a contract was signed between China's Sinoma International Engineering Company and the Southern Province Cement Company (SPCC) (Saudi company) in the construction of a second production line at the Tihama Cement plant. This contract was worth USD 147 million (*Saudi Economic Survey* 27.01.10) with an estimated production of 5,000 tonnes per day (*Middle East Business Digest* 06.11.09).

Construction of Processing Facilities in Saudi Arabian Phosphate Project

Ma'aden Phosphate Company (MPC), a Saudi consortium, and a Chinese firm, Guizho Hongfu Industry and Commerce Co., Ltd. (Hongfu), signed a contract for the building of a processing facility for a phosphate deposit in Al Jalamid. The project was then completed within the duration that had been agreed upon in the contract. China's state-owned company, Hongfu, won the contract for the construction of beneficiation plant at Al Jalamid in the northern part of Saudi Arabia. The 28-month contract was worth USD 350 million. The Chinese company would build a phosphorus concentrator with a production capacity of 12.5 million tonnes of ore (*Xinhua General News Service* 30.11.07). This construction was part of MPC's project (MPC was a joint venture company between two state-owned companies: Ma'aden Phosphate Company and SABIC).

In 2010, by carrying out some final jobs, the construction of this plant met its schedule. The President of MPC, Abdul Aziz al-Harbi, announced that the plant was 'well-positioned' to supply phosphate concentrate (the raw material) to Ras Az Zawr for a processing in a fertilizer production facility. The other work that had been completed earlier was described as 'the launching work and inspection of machinery and equipment at the beneficiation plant' (*Arab News* 08.07.10).

Construction of Port Facilities in Jeddah and Ras Az Zawr

Another area where the expertise and technology of the Chinese companies were rewarded in Saudi Arabia was in the construction of port facilities. Chinese companies secured contracts for this type of construction in Ras Az Zawr and Jeddah Islamic Port.

A Chinese state-owned company, China Harbour Engineering Company (CHEC), expanded its business operation in the construction project of the oldest and the largest port of Saudi Arabia. The project, which took less than two years, would build a new facility which would later increase the efficiency of the port's operation. Moreover, the new facility would spur the trading activities of the country. CHEC and Saudi Trade and Export Development Company (Tusdeer) signed a USD 510 million contract on the construction of 'Red Sea Gate' terminal in Jeddah Islamic Port in November 2007 (*ITP Business Publishing Ltd.* 2011). The length of the contract was 22 months and went into effect in January 2008. In December 2009, the first phase of project was conducted. It was expected that the capacity of the port could be enhanced by 45 percent after the completion of the construction (*Middle East Real Estate and Construction News Wire* 29.11.07). It also had the potential to boost export and import activities in the country, and improve Saudi economic competitiveness in the region (*SinoCast* 14.01.08). A Chinese equipment supplier, Shanghai Zhenhua Port Machinery Company, was also granted an equipment supplying contract in the expansion project of this port.

CHEC also engaged in the construction of facilities at Ras Az Zawr port. Under a joint venture company between China Harbour Engineering Arabia Company, CHEC and Rafid Group (Saudi company) secured a contract and would build port facilities at a cost of USD 586.84 million (*Saudi Economic Survey* 03.02.10). One of these facilities was the construction of a liquid wharf in the no. 3 berth port. The construction began in February 2008 and lasted for three years (China Harbour Engineering Company Ltd. 2009).

Construction of Facilities for Telecommunication and Internet Services in Saudi Arabia

Chinese companies sought business experience in Saudi Arabia through commercial contracts in telecommunication and wireless networking. They cooperated with the local companies in developing and improving high-tech service in the Kingdom. However, there was an event in which the Chinese telecommunication company ended up retreating from the bidding process.

China Telecommunications Corporations (China Telecom Group) did not participate in the whole bidding process for the license of telecom service in Saudi Arabia. The process was very competitive and challenged the financial aspect of the company. China Telecom Group initially participated in a bid for ‘fixed telecom service licenses’ in the Kingdom. Nine other bidders also participated in the bid. However, in April 2007, China Telecom withdrew from the next round of bidding since the tender price for the fixed-line license in the Kingdom was high. This company was the biggest provider of fixed-lines in China.

However, there was no an obstacle for other Chinese firms who wanted to expand their business operations and make a profit in the high-technology business of Saudi Arabia. ZTE Corporation (a Shenzhen-based company) cooperated with a local firm, Etihad Atheeb Telecom (Atheeb), in developing a WiMAX base station and networking. In addition to the two companies sharing technology and expertise, the Chinese firm would provide the Saudi company with high-tech equipment. In June 2009, ZTE Corporation and Atheeb signed an agreement for the development of a High-speed WiMAX network in Saudi Arabia that covered five major cities. ZTE Corporation was a company that offered telecommunications equipment and network solutions, while Atheeb was the largest operator of WiMAX in the Kingdom. Both companies would also engage in the development of 300 WiMAX base stations. ZTE would supply this Saudi company with IMS (IP Multimedia Subsystems) and MPLS (Multiprotocol Label Switching) (*Chinese Business News* 22.06.09).

Like ZTE Corporation, a Chinese firm, Huawei, signed a MoU for a business engagement in the wireless networking service in Saudi Arabia. It also agreed to share its technology and supply high-tech equipment to one of Saudi's wireless research centres. In October 2009, a MoU was reached among Etihad Etisalat (Mobily), Huawei, and Industrial & Commercial Bank of China (ICBvaC). The signatories were Chairman of Mobily, Abdulaziz al-Saghyir, the Vice President of Huawei, Ding Shaohua, and the Vice President of Dubai branch of ICBC, Ma Xiangjin. Mobily was a mobile service provider and Huawei was a telecom solution provider. The MoU aimed at arranging a financing option for the project that was granted to Huawei. The most important aspect of the MoU was the initiative of Mobily to offer Huawei a contract 'to run operational services for its 2G and 3G networks, network expansion, and various broadband and enhancement projects' (*MENA English* 07.10.09). In October 2010, Huawei agreed to support and provide a Centre of Excellence for Wireless Applications (CEWA) in Saudi Arabia with its Long Term Evolution (LTE) and WiMAX equipment. CEWA conducts research and development, and offers expertise and consultation in conducting wireless applications to various customers, such as telecommunication operators and governments (*MENA English* 27.10.10).

Conclusion

From 2001 to 2005, the economic cooperation between China and Saudi Arabia was further enhanced, particularly in the oil trade and in investment and construction activities. In trade relations, the volume of Chinese imports of Saudi oil in the years between 2001 and 2005 was seven times larger than the period from 1992 to 2000. Since Chinese investment in Saudi Arabia was low, the Saudi and Chinese governments intensified their efforts to improve this investment climate. Regarding the construction sector, in 2004 and 2005, Chinese companies won four contracts to construct cement production facilities in Saudi Arabia in the cities of Al-Moujarada, Muzamiyah, Marat and Hufuf.

Between 2006 and 2010, the bilateral economic links were immensely strong and highly successful. The exchange visits of the leaders – King Abdullah and President Hu Jintao – in January and April 2006 solidified oil cooperation. During the King's visit to China, five agreements were reached between the countries. In the context of cooperation in the hydrocarbon sector, the visit brought the signing of the energy protocol, which intended to widen cooperation in oil, natural gas and minerals. Similarly, the return visit of President Hu Jintao in the same year witnessed the signing of an agreement regarding strategic oil reserves. Chinese imports of Saudi oil expanded drastically in the period from 2006 to 2009. In comparison with the period from 2001 to 2005, an increase of 71.4 percent (53.5 million tonnes) was recorded in the years between 2006 and 2009. Although the Chinese oil market was increasingly dominated by Saudi oil, it received less Saudi oil than American and Japanese oil markets did. In other words, American and Japanese markets remained the major foreign markets of oil from Saudi Arabia.

In the mutual investment of the hydrocarbon sector, the Quanzhou refining and petrochemical project began its commercial and full operation on November 11, 2009. There is a possibility that Sinopec will cooperate with Saudi ARAMCO and ExxonMobil in an expansion of the project. In 2010, Sinopec and Saudi ARAMCO continued the second phase of gas exploration in Rub' Al-Khali, though the exploration of the previous seven wells produced no commercial value. In October 2010, the commercial and full operation of Tianjin petrochemical project began. Sinopec and SABIC will further their collaboration in the development of a polycarbonate (PC) manufacturing unit through this project.

The theoretical conception of complex interdependence accurately describes the recent state of Sino-Saudi relations. Actors involved in the bilateral relations were varied, and the channels used in the Sino-Saudi links were multiple. Furthermore, the nature of the bilateral relations reflected both interstate and transnational contacts. Beijing-Riyadh relations significantly revealed two other characteristics of complex interdependence: the

minimal role of military force and the absence of hierarchy among issues. The role of force in the Sino-Saudi relations was highly insignificant: the two countries did not form any military alliances, and Saudi Arabia did not rely on China for its military equipment and training. The absence of hierarchy among issues, which suggested that military security did not dominate the agenda of a state-to-state relationship, was exhibited in the Sino-Saudi relations. The interstate agenda between China and Saudi Arabia was entirely dominated by economic interests.

The theory of constructivism clearly helps to illuminate the development of Sino-Saudi relations during the period between 2000 and 2010. One of constructivism's themes—the norms following from social structure—can be seen to have shaped the Chinese and Saudi policy behaviour in response to the major events in the region. Institutional structures and the norms associated with legitimacy also influenced policy behaviour.

Chapter Six

Conclusion, and Relevance for US Relations with Saudi Arabia

Introduction

This chapter gives the conclusion of the thesis and contains an analysis of the relevance of Sino-Saudi links to US-Saudi relations. In the conclusion, some key developments in Sino-Saudi diplomatic relations are stressed. In examining these developments, the political and economic dimensions are given particular emphasis. The conclusion will underline the application of the complex interdependence and constructivism to the Beijing-Riyadh relationship over the last two decades.

6.1 What the thesis has shown?

The characteristics of complex interdependence did not exist in the context of Sino-Saudi relations before 1978. However, from 1979 to 1989, some of the necessary elements of complex interdependence began to exhibit. In 1990, the characteristic of complex interdependence were developing in the official relations between the two countries. In the 2000s, especially after the 2006 exchange visits of the top leaders, the relationship between China and Saudi Arabia appeared to be one of complex interdependence.

China and Saudi Arabia established diplomatic relations on July 21, 1990. The Chinese Foreign Minister, Qian Qichen, and the Saudi Foreign Minister, Prince Saud al-Faisal were the leading figures who made possible this historic event. The two ministers agreed on the foundation principles (namely peaceful coexistence, non-interference, mutual benefit and equity) which would govern the newly established diplomatic relations.

State-to-state relations between China and Saudi Arabia signified an absence of a hierarchy of issues which stressed that military security did not dominate the inter-state agenda. Economic interests topped the agenda of the leaders and officials who coordinated the Sino-Saudi bilateral relations. The visit of Premier Li Peng to Saudi Arabia in 1991 (a year after the diplomatic relations were established) was ‘a new starting

point' for the advancement of bilateral relations (*BBC Summary of World Broadcasts* 12.07.91). The leader deemed it was essential to fortify the diplomatic link so as to forge the economic ties.

In pursuing economic interests, the concerted efforts for bolstering the economic links between the two countries were invested. In 1992, agreements concerning the development of economic cooperation were signed. In 1993, a Chinese Consulate General's Office was opened in Jeddah and dealt with exports and imports between China and Saudi Arabia. In 1996, the Sino-Saudi Arabian Mixed-Trade and Economic Committee was formed and in the following year the Saudi Arabia-China Friendship and China-Saudi Arabia Friendship Associations were established. Exchange visits by trade delegations between the two countries increased in the early years of these diplomatic relations.

Multiple channels of contact, which constitutes one of the characteristics of complex interdependence, successfully preserved and fostered the economic links between the two countries. Chinese and Saudi high-level officials consistently encouraged the involvement of the private sector in the bilateral economic relationship. Officials clearly outlined several approaches in which bilateral economic links could be cemented. To help the business circles of the two countries to develop and strengthening their commercial ties, a non-governmental joint commercial committee was formed in 2003. An office of the Saudi Consulate-General was opened in Hong Kong in that year.

A number of Chinese top leaders called on the promotion of strategic cooperation in the Beijing-Riyadh bilateral relations. The leaders deemed not to give emphasis to security concern in the interstate agenda (note: neglecting security concern in the agenda described one of the conditions of complex interdependence). In a visit to Saudi Arabia in April 2006, President Hu Jintao accentuated China's readiness to forge such cooperation with the Kingdom. The agreements that were concluded during the visit heavily stressed the political and economic relations between the two countries, but did not embrace or even promoted a security relationship between Riyadh and Beijing. Strategic cooperation which would serve the Sino-Saudi economic interests was briefly mentioned in a joint

communiqué during a visit of President Jiang Zemin to Saudi Arabia in November 1999. In the communiqué, the strengthening of the Sino-Saudi political and economic relationship was strongly emphasized.

China's Vice President, Xi Jinping, in 2008 introduced another interpretation of 'strategic' with regard to the Sino-Saudi bilateral relations. Underlining the significance of bilateral economic and trade ties, the new version of the concept was known as 'a friendly and cooperative strategic partnership'.

In a state visit to Saudi Arabia in 2009, President Hu Jintao called upon the two countries to build 'strategic friendly relations'. The President more precisely defined strategic cooperation in order to prevent a misunderstanding with the United States on the issue.

Complex interdependence matched with the development of the Sino-Saudi links. The Sino-Saudi trade performance was strong and solid. The total trade value between the two countries dramatically increased in the eighteen years following the establishment of diplomatic relations. In the first decade following the agreement, the total value of Sino-Saudi trade grew from USD 417 million (1990) to USD 3.1 billion (2000), an increase of 643.4 percent. From 2001 to 2005, trade between China and Saudi Arabia rose by 295.6 percent, increasing from USD 4.07 billion to USD 16.1 billion. Between 2006 and 2008, trade between the two countries increased by an additional 108 percent. However, due to the global economic crisis, Chinese and Saudi total trade in 2009 fell by 22 percent, from USD 41.8 billion in 2008 to USD 32.6 billion.

The imports of oil from Saudi Arabia which created an element of dependence clearly affected the Sino-Saudi trade balance. China ran a trade surplus with Saudi Arabia from 1991 to 1995. In the following five years, however, China experienced a trade deficit with the Kingdom and continued to face an unfavourable trade balance in the following years. Between 2001 and 2005, the negative trade balance rose by 519 percent, with a total of USD 19.38 billion. From 2006 to 2009, the Chinese trade deficit continued to climb to a total of USD 55 billion. The soaring global price of oil and the growing Chinese oil needs were among the factors contributing to the widened deficit.

China's dependency on Saudi Arabian oil developed gradually from 1991 to 2009. The volume of China's oil imports from Saudi Arabia, the percentage of Saudi Arabian share of Chinese total oil imports and the overall ranking of China's major oil suppliers strongly suggest that Chinese oil dependency on the Kingdom is deep. Between 1991 and 1998, the volume of Chinese oil imports from Saudi Arabia was less than 1 million tonnes in each year. In the following three years, however, the volume grew from 1.8 million tonnes in 1998, to 2.5 million tonnes in 1999 and 5.7 million tonnes in 2000. Over the ten years from 1991 to 2000, the volume of oil imports rose by 6721 percent, from 84 thousand tonnes to 5.7 million tonnes. From 2001 to 2005, purchases of Saudi oil rose by 154 percent, reflecting China's oil dependency on Saudi Arabia. Chinese imports of Saudi oil continued to rise from 2006 to 2009, from 23.8 million tonnes in 2006 to 41.8 million tonnes in 2009, a 75 percent increase.

The Saudi Arabian share of China's total oil imports grew significantly, from 1.41 percent in 1990 to 8.16 percent in 2000. From 2001 to 2005, Saudi oil made up 74.6 million tonnes (15.7 percent) of total Chinese oil imports. This total rose to almost 20 percent in the next three years.

The position of Saudi Arabia in relation to China's other oil sources—Iran, Angola and Russia—has increased significantly. Between 1992 and 2000, Saudi oil exports to China ranked third after Angola and Iran. The Kingdom moved to second place in 2001 and first in 2002. It has remained in first place ever since.

Much effort was expended in facilitating and enhancing energy cooperation between the two countries. Since 1997, oil companies in each of the two countries have concluded several cooperation agreements. The visit of Crown Prince Abdullah in 1998 led to the signing of a Memorandum of Understanding which concentrated on trade, investment, mining and oil. In 1999, President Jiang Zemin made a state visit to Saudi Arabia and concluded five agreements. One of the most important of these was the Memorandum of Understanding on Oil Cooperation. The state visits of the two country's leaders in 2006 established aggressive oil policies between the two countries. The visit of King Abdullah

to Beijing in January 2006 culminated in the signing of an energy protocol between the two countries, whereas the visit of President Hu Jintao a few months later concluded an agreement on Chinese strategic oil reserves.

China's dependency on Saudi oil exemplifies the link between power and interdependence. The nature of the dependency fits with the term of 'vulnerability of interdependence' that Keohane and Nye have stressed in their discussion on the role of power in interdependence. One may assess the vulnerability when the degree of efficacy of Chinese altered and new policies is known (note: China has been pursuing alternative policies, attempting to reduce its oil dependency on the Middle Eastern oil producing countries).

The thesis also examines the application of constructivism in Sino-Saudi relations from 1949 to 2010. It argues that China and Saudi Arabia had a shared understanding that ideology was preventing the formation of official links between them during the period between 1949 and 1977. Over the course of the following twelve years, this understanding gradually changed. The change led to the establishment of diplomatic relations in 1990. In the years between 1990 and 2010, the policy responses of China and Saudi Arabia to major regional events exhibited the continued relevance of the themes introduced by the constructivists, such as the social structure, to the study of Sino-Saudi relations. This relevance was further reinforced by the process the two countries followed in enriching their shared understanding.

6.2 Relevance for US Relations with Saudi Arabia

Introduction

Some analysts have critically argued that the close relationship between China and Saudi Arabia in this decade has seriously challenged the economic and security interests of the US, a long-standing partner of the Kingdom. The growing concern regarding this perceived threat will be the main focus of this sub-section. Key factors in the Sino-Saudi relationship which have been identified are the energy strategy of China, the oil policy of Saudi Arabia and China's position as a new close friend of the Kingdom. Do these factors present a great challenge to American-Riyadh relations?

Chinese Energy Strategy

Two objectives guide Chinese energy strategy towards the Middle Eastern oil exporting countries: to ensure China's long-term economic growth and to reduce China's vulnerability concerning energy (Fan and Donghai 2006 p. 99). In attaining these objectives, China incorporates the element of soft power in its energy strategy; it adopts a diplomatic approach in its oil trade dealings with the producing countries. China frequently calls for a better relationship with these countries and greater political stability in the region.

Chinese energy policy could have some significant implications to the world oil market and pose potential threats to other consuming countries. First, China's pressing need for oil markedly increases the percentage of global oil demand, and therefore has the potential to destabilize the world oil market (Wu and Liu 2007 p. 217). Second, Chinese energy policy (export strategy) encourages Chinese National Oil Companies (CNOCs) to acquire and build up their equity stakes in the operation of oil producing countries. This development led former President Bush to voice Washington's concern in his 2006 National Security Strategy. He criticized China's policy behaviour, stating 'as if they can somehow "lock up" energy supplies around the world or seek to direct markets rather than opening them up' (Sanger 2006).

China's strategy and its growing need for oil should not be seen as an energy threat to the US. The notion of China as posing the threat is a misleading and overstated, in the view of Wu and Liu, China does not pose a threat since the influence of the US in the energy market remains strong and profound. The US is known for its considerable influence in the energy market and among oil producing nations of the Middle East, the Gulf and Latin America. Wu and Liu (2007) further argue against a false perception that assesses China as a country that causes instability in the energy market. The contributing factor of the instability (the rising global oil demand and price) is the US oil demand. By referring to the British Petroleum Statistical Review, they go on to argue that between 1995 and 2005, the US oil import grew by 4.42 million bpd, a figure that was considerably larger than China's oil demand, which accounted for 1.5 million bpd.

The Significance of Saudi Oil Policy

Saudi Arabia is 'the focal point for the global oil market' due to its 'oil reserve, oil exports [and] spare oil production capacity' (Blanchard 2011 p. 6). The Kingdom is committed to ensuring the stability of the oil supply and oil price: it offsets oil supply losses and prevents the shock of a sharp oil price increases. In an article published in 2009, Prince Turki al-Faisal states that Saudi Arabia has invested USD 100 billion in producing 12.5 million bpd of oil. The Prince stresses his country's capacity to ease critical shortages of global oil supply, saying, 'today we hold about 4.5 million barrels per day of spare capacity (or more than 90 percent of the global total), enough to replace the second and third-largest OPEC producers overnight if the world needed more oil' (2009, p. 103).

Saudi oil policy has gained a significant degree of influence over the international oil market. Saudi Arabia has 'spare production capacity', which causes Telhami and Hill to describe the Kingdom as holding a 'trump card' (2002). They stress that Saudi Arabia is the only oil producing country that has the ability to affect a short-term increase of global oil prices: the Kingdom may boost or maintain the volume of oil supply (Telhami and Hill 2002). Saudi Arabia has the ability to 'replace single-handedly, within months, the total loss of exports of any other oil producer on the globe'. The world economy would suffer were there to be a 'sudden loss of the Saudi oil network' (Jaffe 2003 p. 2).

A political science scholar at the University of Vermont, Gregory Gause, argues that the production capacity of Saudi Arabia is more crucial than ‘the details of Saudi oil sales’. The Kingdom frequently uses its production capacity to ‘smooth jolts to world oil prices’, including those occasioned by the strikes in Venezuela in 2002 and the events of September 11, 2001. Gause sees the role of Saudi Arabia in such situations as ‘the central bank’. The Saudis, moreover, ‘[are] at a point where there’s precious little surplus capacity’ globally (*Energy Bulletin* 15.09.04).

Saudi Arabia diversifies its customers and attempts to maintain its foothold in Asian market. When Asian demand for oil increases, the Saudi crude oil price is also boosted. The Kingdom, therefore, has recently minimized the contract prices to Asian customers because it has to ensure that the price of its oil is competitive. Previously, the price for crude oil supply to Asia was higher than the prices for supplies going to Europe and the US. The higher price was due to the transportation cost.

Saudi Arabia is significantly extending its influence as the world’s biggest oil producer and supplier. Saudi ARAMCO has been building refinery facilities in Asia and will encourage Asian countries to import heavy crude grades from the Kingdom. Joint venture refineries in China have also helped strengthen Saudi ARAMCO’s supply chain in Asia. An example is the Saudi ARAMCO, Sinopec and ExxonMobil joint venture in the Fujian refinery project. Saudi refineries in Jubail and Yanbu, which will begin their operations in 2013 and 2014, aim to meet the demands of refined products in the Asian and Middle Eastern markets (Gavin 2010).

Saudi Arabia Finds a New Best Friend

China’s policy behaviour and position at the international level have facilitated the development of Sino-Saudi relations. Prince Turki al-Faisal comments on Saudi relations with China: ‘with China, there is less baggage, there are easier routes to mutual benefits’ (*Hurriyet Daily News* 21.04.10). Lippman assumes that ‘building consumption’ might be one of the factors that has influenced the shift of Saudi attention towards China. Lippman argues that the Saudis ‘...need a good relationship with a country that is a permanent

member of the (U.N.) Security Council, is a strong a growing market for our oil, is a nuclear power and...is untainted by having invaded any Arab countries' (*Energy Bulletin* 15.09.04).

China's economic achievement has received considerable attention from Saudi Arabia. Director of Market and Country Strategies at US Consultant PFC Energy, David Kirsch, holds the view that Saudi Arabia has focused its oil trade on China because the Chinese market is experiencing strong development as compared to the Organization for Economic Cooperation & Development (OECD) countries, which are facing a declining demand (Gavin 2010). Mohammad al-Mady also claims that 'China is a country that has the greatest market for our products, so there is no politics behind this, it is only straight business' (*Hurriyet Daily News* 21.04.10).

Have Sino-Saudi Economic Relations Affected US-Saudi Economic Ties?

This sub-section attempts to argue that Sino-Saudi relations currently do not have profound implications for US-Saudi relations, nor do they signify a total shift of Saudi relations from the West to Asia. On the other hand, Beijing-Riyadh relations imply a diversifying of Saudi relations with foreign countries and customers, and a significant expansion of Saudi influence as the key economic player in the international oil market.

US-Saudi relations remain strong though there is a close economic link between Saudi Arabia and China. This fact is proved by statistical data on trade between the US and Saudi Arabia and the competitiveness of American firms relative to other foreign companies. The US Undersecretary of Commerce for International Trade, Francisco J. Sanchez, stresses the trade improvement between his country and Saudi Arabia, saying, 'I am happy to report that our trade for 2010 with Saudi Arabia is up eight percent in the first six months over the same period last year (*Arab News* 11.12.10). Commenting on the competition from India, China and Turkey, Sanchez believes that American firms 'still [have] the edge'. He admits the advantages that the US firms have had concerning technological and innovation aspects, and stresses, 'I know that American companies are among the most innovative in the world, and so they can bring innovation, the latest technology, in a number of fields' (*Arab News* 11.12.10). He cites an example of

Maaden's decision to choose Alcoa for the development of an aluminium smelting project in Ras Azwar: 'Saudi Arabia considered companies from different parts of the world for this project, and it ultimately chose Alcoa, a US company, because of the innovation and because of the state-of-the-art technology that it brought' (*Arab News* 11.12.10). In addition, the Head of Commercial Affairs at the US embassy in Riyadh, Amer Kayani, stresses the enormous contribution of American businesses to Saudi economic development, stating:

The United States has engaged in trade with Saudi Arabia since 1945. The two countries have a very, very close relationship. Today, there are tens of thousands of Americans who are living in Saudi Arabia with their families doing business. They represent U.S. companies, work for Saudi companies, or work for multinationals. There are more U.S.-educated PhDs employed by the Saudi government than by our own government (Department of Commerce United States of America 2011).

The US energy strategy with Middle Eastern oil producing nations has built a direct and close linkage between economic and security interests. The economic interest is to retain a reasonable global oil price by ensuring a constant flow of oil supply to the international market. The security interest, as viewed by the US, requires the existence of a stable political order in the Middle East, thereby allowing the US to access the oil, markets and communication of the region. This would also protect US investment and assets in the area. The Gulf War in 1990-91 indicated an inextricable and obvious link between energy and security interests. In this war, the US needed to protect the Saudi oil reserve since the illegal occupation of Iraqi military troops in Kuwait entailed a high risk to the oil rich eastern province of Saudi Arabia.

The US dependency on Saudi oil cooperation in ensuring a reliable oil supply and a stable and smooth international oil market is high. Arguing that there is no technology at the moment that could help the US replace the oil consumption that supports its 'massive manufacturing, transportation, and military needs', Prince Turki al-Faisal believes that the US has to acknowledge the fact of energy interdependence (2009, p.102). The concept of 'energy independence', as he further claims, is 'unrealistic, misguided, and

ultimately harmful to energy-producing and -consuming countries alike' (Al-Faisal 2009 p.102).

Telhami and Hill (2000) claim that the US would face 'additional complications' when there emerges a new country in the Middle East that needs to protect its energy interest in the region. Some Chinese economists predict that by 2030 and 2040, China's economy will become equal to that of the US. At this time, an increasing Chinese oil dependency on the Persian Gulf states will be competing with the US interest in the region (Aarts 2006 p. 419).

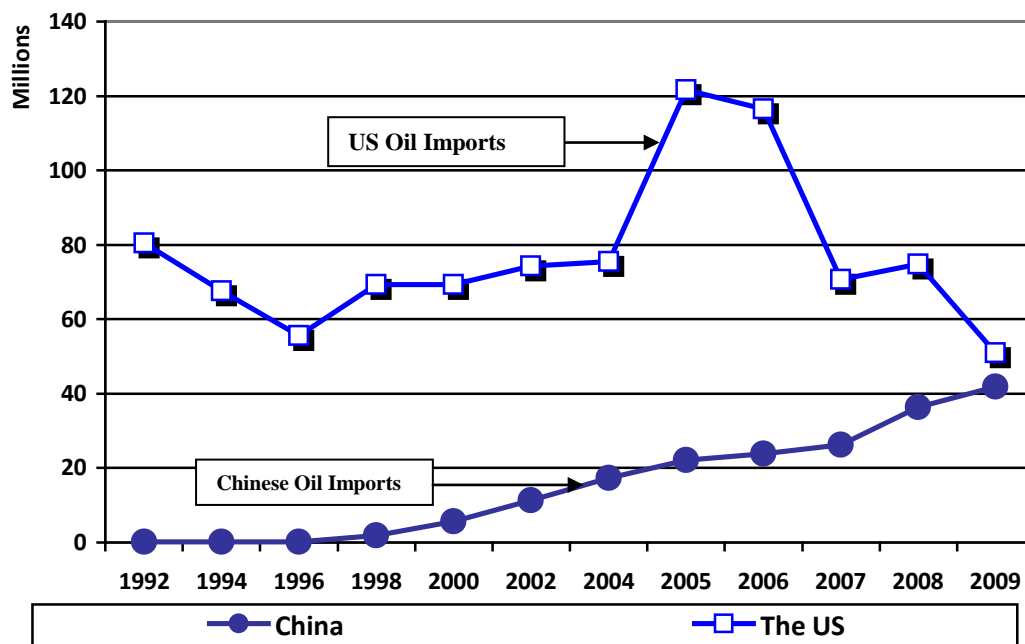
The US imports more Saudi oil than China, yet China's strategy to actively increase its oil imports from the Kingdom might seem to challenge America's position as one of the biggest buyers of Saudi oil. Between 1992 and 2009, the US purchased a higher volume of petroleum and crude oil from Saudi Arabia vis-a-vis China: the US and China's annual average imports of this commodity accounted for 926.5 million tonnes and 187.3 million tonnes respectively (Table 6.1 and Graph 6.1). On the other hand, the trend of Chinese petroleum and crude oil imports from Saudi Arabia rose dramatically compared to that of the US. Between 1992 and 2009, imports grew from 187 thousand tonnes to 41.8 million tonnes; an increase of 2493 percent. By contrast, the trend of imports to the US was declining. Imports dramatically lowered by 36.6 percent, from 80.4 million tonnes in 1992 to 51 million tonnes in 2009. The declining US imports of this commodity in 2009 were in tune with the economic contractions that the oil consuming countries had been experiencing (Table 6.1 and Graph 6.1). Despite this change, the Sino-Saudi oil trade still has no threat to the US oil imports from the Kingdom.

Table 6.1: Chinese and the US Oil Imports from Saudi Arabia, 1992-2009 (Tonnes)

	China	The US
1992	187,323	80,430,791
1994	146,449	67,525,153
1996	230,635	55,614,612
1998	1,807,618	69,391,459
2000	5,730,211	69,281,982
2002	11,390,760	74,371,236
2004	17,243,549	75,481,215
2005	22,178,924	121,646,854
2006	23,871,514	116,422,460
2007	26,333,689	70,609,089
2008	36,368,396	74,761,322
2009	41,857,126	50,975,477

Source: United Nations Commodity Division

Graph 6.1: Chinese and US Oil Imports from Saudi Arabia, 1992-2009 (Tonnes)



Source: United Nations Commodity Division

Will China Challenge US Military Strategic Cooperation with Saudi Arabia?

Military cooperation between China and Saudi Arabia is rather weak due to a lack of arms deals between them and the lack of Chinese military interest in the Gulf. Saudi Arabia purchased 36 CSS-2 missiles from China in the late 1980s. In the following decades, the purchasing of military weapons from China, however, declined. Although there was rumoured to be some nuclear cooperation between the two countries, the evidence of such is lacking (Nonneman 2006 p. 344). China has limited military interest in the Gulf and in Saudi Arabia, in particular, for at least two reasons. First, China has announced that the principal purpose of its military power is for national security. Chinese leaders assert that this military power will retain the dominance of the Communist Party in the country, and secure the national border and provide a safe environment for the economic growth. Second, the deliberate intention behind Chinese military modernization is to prevent any attacks from its neighbours and regional rivals, notably India, Japan and Russia. Its military modernization no doubt can be seen as a challenge to the US military power. In China's view, however, its military capability is not strong enough to reach this objective.

China recognizes the limitation of its military capability. Most indices of national power show that China '...continues to lag far behind the United States' (Glaser 2010). In protecting and promoting its interest in the Persian Gulf, China deploys 'the tools of statecraft' since its military capability in the area is limited. Some examples of the tools are 'diplomatic contacts, trade and foreign investment, arms sales and its influence in the United Nations and in terms of its relations with France and Russia' (Yetiv and Chunlong 2007 p. 201). China, moreover, is not interested in becoming heavily involved in the Middle East's critical issues and realizes that cooperation rather than competition with the US is vital to protecting its energy interest (Pant 2008).

Saudi Arabia retains its close link with its biggest supplier of arms (the US) and '...China has done nothing to...divert Saudi Arabia from this course' (Pant 2008 p. 5). The Kingdom largely depends on military equipment from foreign countries, and the US remains one of its major arms suppliers. The Foreign Military Sales (FMS) programme has been established, and this allows the Kingdom to buy military hardware from the US

without bureaucratic delays. As a traditional ally of the US, the Kingdom has been a location for US military troops since 1979. Their numbers were increasing due to a series of wars in the Gulf. In September 2003, however, almost all of these troops redeployed in Al Udeid Air Base in Doha, Qatar. Only a few hundred US training personnel still remain in the Kingdom (Business Monitor International Ltd. 2008). The arms relationship, nonetheless, has become stronger.

In brief, the strong relations between China and Saudi Arabia pose no threat to US-Saudi relations.

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AME Info – ME Company Newswire

Arab News

ArabianBusiness.com

Asia Pulse

Association Press Worldstream

Bahrain News Agency

BBC Monitoring Asia Pacific

BBC Monitoring Middle East

BBC Monitoring South Asia

BBC Summary of World Broadcasts

Bloomberg

BMI Middle East and Africa Oil and Gas Insights

Business Daily Update

Business Wire

Central News Agency – Taiwan

Chemical Business News Base: Chemical Week Asia

Chemical News & Intelligence
Chemical Week
Chemicalweek Asia
China Daily
China Energy Report Weekly
China Energy Weekly
China Knowledge Newswire
Chinese Business News
CNNMoney
Emerging Market Datafile XINHUA
Energy Bulletin
Federal News Service
Financial Times
Foreign Broadcast Information Service
Gulf News (United Arab Emirates)
Hurriyet Daily News
InfoProd
IPR Strategic Business Information Database
IPS – Inter Press Service
ITP Business Publishing Ltd.
MEED Quarterly Report – Saudi Arabia
Mena Business Report
MENA English
MENA Reports
Middle East and North Africa Financial Network
Middle East Company News Wire
Middle East Company News Wire SAUDI GAZETTE
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Middle East Energy, Oil and Gas News Wire
Middle East Magnet
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